Every Student Succeeds

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

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Alexandria City Public Schools

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Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

Prepared by:

Financial Services Department

Dr. Alvin L. Crawley
Superintendent of Schools

Stacey Johnson
Chief Financial Officer

Michael Covington
Director, Accounting

Farah Afrasiabi
Sr. Accountant

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Shelly Sikhammountry
Budget Analyst

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Other Supplementary Information

Statistical Section (unaudited)

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INTRODUCTORY SECTION

Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

ACPS' Vision

Our students achieve at high levels, are well-rounded, critical thinkers, and have a passion to learn.
ACPS has an engaging and collaborative climate that promotes ethical behavior and values diversity.
ACPS is a vital part of the fabric of our community, and Alexandria residents and businesses take pride in our schools.

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Alexandria City Public Schools

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November 24, 2015

The Honorable Chairman Graf and
Members of the Alexandria City School Board and
Citizens of the City of Alexandria, Virginia:

We are pleased to submit the *Comprehensive Annual Financial Report* (CAFR) of the Alexandria City Public Schools (ACPS) for the fiscal year ended June 30, 2015. It has been prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applicable to local government entities. Responsibility for the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position as well as the financial condition of ACPS for the fiscal year ended June 30, 2015. ACPS is considered a component unit of the City of Alexandria, Virginia (City) and, accordingly, the financial position and results of operations of ACPS are also reflected in the financial statements included in the City's CAFR.

An independent audit of the Board's finances is required each fiscal year by either the Virginia Auditor of Public Accounts or a firm of independent Certified Public Accountants. The Code of Virginia (Section 15.2-2510) requires ACPS to submit its audit report to the Auditor of Public Accounts by November 30 of each year. This document will be submitted in fulfillment of this requirement. An audit was also conducted to meet the requirements of the Federal Single Audit Act Amendment of 1996 and related Office of Management and Budget Circular A-133 Audits of State and Local Governments.

ACPS' financial statements were audited by CliftonLarsenAllen LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of ACPS for the fiscal year ended June 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the ACPS financial statements for the fiscal year ended June 30, 2015, are fairly presented in conformity with U.S. generally accepted accounting principles (GAAP).

The independent audit of the financial statements of the school division was part of the broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal control and legal requirements involving the administration of federal awards. The independent auditors’ report on internal control is available in the Other Supplementary Information section of the CAFR.

The report is intended to present a comprehensive summary of significant financial data to meet the needs of citizens, taxpayers, financial institutions and the Board. GAAP requires that management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The introductory section includes this letter of transmittal, a list of principal officials, and an organizational chart. The financial section includes the basic financial statements as well as the unmodified opinion of independent public accountants on the basic financial statements. The financial section also includes the MD&A, which provides a narrative introduction, overview, and analysis of the basic financial statements. The statistical section contains selected financial and demographic information, generally presented on a multi-year basis.

Profile of the Alexandria City Public Schools

Alexandria City Public Schools is a school division located within and serving the residents of the City of Alexandria.

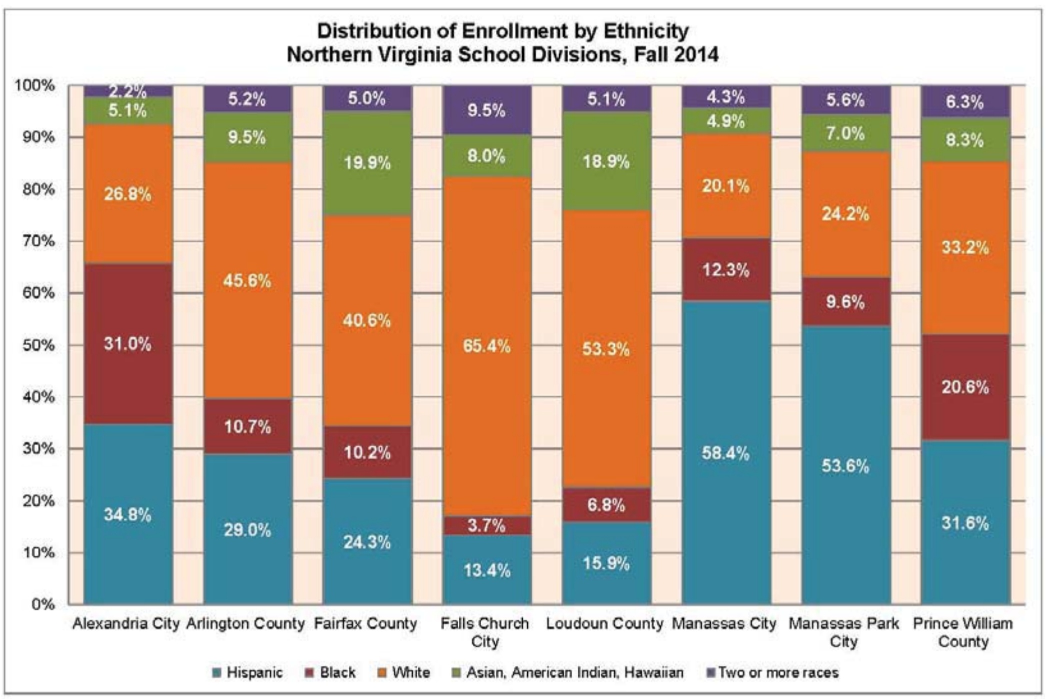
The City is located on the west bank of the Potomac River across from Washington, D.C., and was established in 1749 by an Act of the Virginia General Assembly. The City is autonomous from any county, town or other political subdivision of the Commonwealth of Virginia. It has a total area of 15.8 square miles and a population of approximately 143,737 as of the 2012 American Community Survey.

The City is a primary government that is financially accountable for a legally separate entity, the School Board of the City of Alexandria (Board). The Board is the elected body established under Virginia law to provide public education from kindergarten through twelfth grade to children residing within the City of

Alexandria, Virginia. The Board consists of nine members who each serve a three-year term. The Board members elect one member to serve as Chairman of the Board and a second member to serve as Vice-Chairman of the Board.

The Board determines educational policy and employs a superintendent of schools to administer the school division. The Board has no power to levy or collect taxes or increase the City appropriation. Because of its relationship with the City, it is considered a component unit of the City, as defined by GAAP. ACPS has no component units for financial reporting purposes.

ACPS is a small school system, but large enough to command the resources for state-of-the-art teaching and learning. ACPS has the 19th largest enrollment of 132 school divisions in the Commonwealth of Virginia and is surrounded by the three largest Virginia school divisions (Fairfax, Prince William, and Loudoun County Public Schools). It has a vibrant multicultural community, and our students reflect an even broader diversity than that of our City. ACPS served a student population of approximately 14,244 students in the 2014-2015 school year, with students who come from more than 128 different countries, speak more than 100 languages, and represent a myriad of cultural and socioeconomic groups. The chart below illustrates this rich diversity compared to our neighboring school divisions.



Source: Virginia Department of Education, Fall 2014

ACPS has experienced significant enrollment increases over the past six years and estimates that this growth trend will continue in the upcoming years. In the 2015-2016 school year, ACPS received an additional 509 students, or a 3.9 percent increase in enrollment over the prior year. The City and ACPS are dedicated to ensuring the academic success for each and every student.

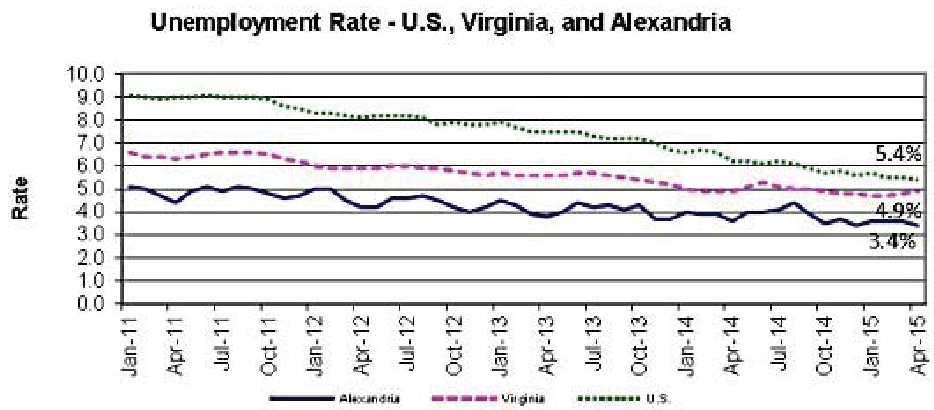
Currently, the school division operates one high school with two campuses (a 9^{th} grade campus and a traditional campus for grades 10-12), two middle schools (grades 6 – 8), one pre-K – 8 school, and twelve elementary schools (grades pre-K – 5). ACPS also operates alternative education programs to meet the needs of students.

It should be noted that prior to FY 2015, the middle schools operated as five separate schools located across two separate campuses. In FY 2015, ACPS restructured the five schools back into two comprehensive middle schools to operate as a one school per campus structure.

Most of ACPS school buildings were built between the 1940’s and the 1960’s. Over the next five years, five of the 20 ACPS facilities will be older than the recommended 75 year life span. Over the next 20 years, an additional seven schools will reach an age of 75-plus years. This underlines our concern for maintenance and replacement of our aged systems and infrastructure.

Local Economic Outlook and Long-term Financial Planning

Since 2009, the Greater Metropolitan Washington DC area economic performance continues to show improvement in increased real estate listings and sales prices. The City of Alexandria and Northern Virginia usually outperform the rest of the Commonwealth. The June 2015 unemployment rate for the City and the Commonwealth are 3.5 percent and 4.9 percent, respectively, and remained relatively steady compared to 3.6 percent and 5.1 percent in 2014. These rates continue to be significantly lower than the average national unemployment rate of 5.3 percent for 2015 and 6.3 percent for 2014, respectively.



Source: U.S. Department of Labor, Bureau of Labor Statistics
Through April 2015
**Alexandria unemployment is not seasonally-adjusted, while U.S. and Virginia are seasonally adjusted.*

After four years of declines through 2010, real estate assessments, which generate over half of the City's General Fund revenues, continue to grow. Residential assessments increased by 4.3 percent of value compared to 2014, while commercial assessments increased by 2.4 percent. This marks the fifth year in a row that assessed values have increased.

ACPS is funded from local, state, and federal resources. State and City funds are the two largest sources of revenue and represent approximately 93.5 percent of total revenues. ACPS does not have the authority to levy taxes to directly support education; as such the school division is fiscally dependent on the City. State monies are determined based on our Average Daily Membership (ADM) and the local composite index, which measures a school division's ability to pay education costs to meet the Commonwealth's Standard of Quality (SOQ). Significant funding is also received from federal grants.

Each year, ACPS staff develops and presents a five-year fiscal forecast with varying revenue and expenditure assumptions to facilitate informed decision-making as a part of the budget process. With nearly 84 percent of General Fund revenue derived from the City appropriation, assumptions regarding the City's revenue growth and the resulting increase or decrease in the City appropriation can drive forecast results. Similarly for expenditures, salaries and benefits comprise approximately 87 percent of total General Fund expenditures and assumptions related to salary increases, as well as the growth of healthcare and retirement costs, can also drive forecast results. Under the Code of Virginia, School Boards are required to adopt a balanced budget which means the projected revenues plus beginning fund balance must fully cover the total estimated expenditures.

Major Initiatives

New Strategic Plan Adopted

In June of 2015, the Alexandria City School Board adopted “ACPS 2020,” a new set of strategic goals and objectives designed to drive student success over the next five years. The strategic plan was developed over the course of Fiscal Year 2015, and involved members of the School Board, ACPS Leadership, staff, students, families, and interested community members.

The plan articulates updated mission and vision statements, and establishes six goals:

1. *Academic Excellence and Educational Equity:* Every student will be academically successful and prepared for life, work, and college.

2. *Family and Community Engagement:* ACPS will partner with families and the community in the education of Alexandria's youth.

3. *An Exemplary Staff:* ACPS will recruit, develop, support, and retain a staff that meets the needs of every student.

4. *Facilities and the Learning Environment:* ACPS will provide optimal and equitable learning environments.

5. *Health and Wellness:* ACPS will promote efforts to enable students to be healthy and ready to learn.

6. *Effective and Efficient Operations:* ACPS will be efficient, effective, and transparent in its business operations.

The goals and objectives of ACPS 2020 advances the new mission statement, *“Every Student Succeeds.”* The plan will serve as the roadmap, guiding decision-making for the next five years. It focuses on becoming a high-performing school division, by focusing on each individual student and their individual needs, putting an emphasis on equity, through the modernization of facilities so that every student has an optimal learning environment, with equal access to program opportunities, and embracing diversity by ensuring that every child, no matter what their background or where they are from, has access to a great education.

Facilities Expansion Plans

ACPS continues to experience growing enrollment. Enrollment has increased from 12,395 in FY 2012 to 14,729 in FY 2016, and a projected growth of over 18,000 by FY 2026. Creating additional capacity has become a critical need for ACPS, and work has begun to find solutions. These solutions involve both modernization of existing facilities and construction of new facilities.

ACPS completed the new Jefferson-Houston Pre-K – 8 School construction project during FY 2015. The new school opened in September of 2014 and the playground and turf field were completed in May 2015.

The planning phase for the new Patrick Henry Pre-K – 8 School is currently underway. This project will replace the existing K–5 school building and is expected to accommodate growth in student enrollment from 600 students, at the current facility, to approximately 800 students in the new building.

Redistricting School Boundaries

Facility modernization and replacement is not the only effort currently underway to address capacity concerns. Under the School Board's leadership, ACPS has initiated the process of Redistricting, with the goal of implementing new elementary school boundaries. The process will involve significant parent and community input through a variety of ways, and will result in a greater balance of capacity utilization across schools and more elementary school-aged children attending their neighborhood school.

Serving the Needs of our Diverse Student Population

Within the growing enrollment is growth in the number of students with additional needs. Students who are English Language Learners represent nearly 30 percent of the total enrollment. As a response to the educational needs of this group of students, ACPS offers the International Academy program at T.C. Williams High School. This program is designed especially for recent immigrants. Students in this program are learning the English language while working towards an on-time high school graduation to prepare them for college and careers. In FY 2016, ACPS is expanding this program to Francis C. Hammond Middle School. The International Academy at Hammond is the first middle school of its kind in the D.C. metro area and the first middle school to be set up by the Internationals Network for Public Schools.

Student Performance

Student learning continues to be a priority for the school division. Virginia, under the No Child Left Behind Act flexibility waivers granted by the U.S. Department of Education, established annual measurable objectives (AMOs) for reducing proficiency gaps between students in the commonwealth's lowest-performing and highest-performing schools. These objectives in reading and mathematics have replaced the Adequate Yearly Progress (AYP) targets schools were previously required to meet under the federal education law. Preliminary results indicate that ACPS, as a division, met 16 out of 18 Federal English AMOs and 16 out of 18 Federal Mathematics AMOs. ACPS saw performance increases across the division in 2014-2015 with five percentage point increases to passing rates across all students in the areas of English and mathematics when compared to the previous year.

Fifteen out of sixteen schools within Alexandria City Public Schools earned state accreditation in 2015. Patrick Henry Elementary School earned full accreditation status by showing large gains in student achievement each of the past two years across all four content areas. The school achieved 79 percent in English, 78 percent in math, 86 percent in history and 78 percent in science in this year's SOLs. Previously, the Patrick Henry was accredited with warning in English and science. T.C. Williams High School earned full accreditation after previously being accredited with warning for a single year in mathematics.

Staff Training and Development

Teacher training and professional development opportunities continue to be of significant importance as a means for enhancing student achievement. Through the Office of Professional Learning, ACPS provides opportunities to educators to learn research-based instructional models and promising practices that can be incorporated into their daily teaching and leadership roles. Strategies learned through professional development sessions will be modeled and supported by school-based instructional teams. We continue to encourage our teachers to undertake the National Board for Professional Teaching Standards (NBPTS) assessment process as a means of elevating student learning and the quality of instruction. In FY 2015, 11 teachers received the NBPTS certificate, bringing the total number of ACPS National Board Certified teachers to 65.

Other Information

Awards

Certificate of Excellence (ASBO): The Association of School Business Officials International (ASBO) awarded the Alexandria City Public Schools a Certificate of Excellence in Financial Reporting for the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This prestigious international certificate award is the highest form of recognition in school financial reporting and is valid for a period of one year only. This is the 12th consecutive year that ACPS has achieved this prestigious award.

This Financial Reporting award was designed by ASBO to enable school officials to achieve a high standard of financial reporting. The award is only conferred to school systems that have met or exceeded the standards of the program. We believe that the current CAFR also conforms to the ASBO Certificate of Excellence program requirements and we are submitting it to ASBO to determine its eligibility for another certificate.

Certificate of Achievement (GFOA): The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to ACPS for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. This was the 5th year ACPS has achieved this prestigious award. In order to be awarded a Certificate of Achievement by the GFOA, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet GFOA's Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition to the two awards for excellence in financial reporting described above, ACPS has also earned the *Meritorious Budget Award* from the ASBO and the *Distinguished Budget Presentation Award* from the GFOA for the fiscal year ended June 30, 2015. These awards are valid for one period only and we believe that our budget report continues to conform to the program requirements of both organizations. We will be submitting our fiscal year 2016 budget to ASBO and GFOA to determine the School Board's eligibility for another certificate award.

Acknowledgements

The preparation of this report would not have been possible without the hard work, professional dedication, and continuing efforts of the entire staff of the Financial Services Department. We would like to express our sincere appreciation to everyone in the department who assisted with and contributed to the preparation of this report. We would also like to acknowledge the cooperation and assistance of the ACPS departments and schools throughout the year in their efficient administration of ACPS' financial operations. Appreciation is also extended to the School Board and ACPS leadership team whose continuing support is vital to the financial health of the school division. This report is the result of extensive teamwork throughout ACPS.

Respectfully submitted,

Alvin L. Crawley, Ed.D. Superintendent	Stacey B. Johnson Chief Financial Officer

Michael A. Covington
Director, Accounting

School Board

Karen A. Graf .... Chairman
Christopher J. Lewis .... Vice-Chairman
Kelly C. Booz .... Member
Ronnie Campbell .... Member
William E. Campbell .... Member
Patricia Ann Hennig .... Member
Stephanie A. Kapsis .... Member
Justin P. Keating .... Member
Marc Williams .... Member

Jennifer Abbruzzese........ .... Clerk of the Board
Susan Neilson......... .... Deputy Clerk of the Board

Superintendent's Leadership Team

Dr. Alvin L. Crawley .... Superintendent of Schools
Tammy Ignacio .... Chief of Staff, Superintendent's Designee
Stacey Johnson .... Chief Financial Officer, Superintendent's Designee
Dr. Terri Mozingo .... Chief Academic Officer
Kevin North .... Chief Human Resources Officer
Dr. Elizabeth Hoover.. ....Chief Technology Officer
Clinton Page .... Chief Accountability Officer
Clarence Stukes .... Chief Operating Officer
Dr. Julie Crawford .... Chief Student Services, Equity and Alternative Programs Officer
Vacant .... Executive Director, Student Services, Equity and Alternative Programs
Dr. Lisa Piehota .... Executive Director, Elementary School Instruction
Gerald Mann .... Executive Director, Secondary School Instruction
Vacant .... Director, Communications & Public Relations


Alexandria City School Board
Clerk of the Board
Jennifer Abbruzzese
Dr. Alvin Crawley
Superintendent
Curriculum and Instruction
Dr. Terri Mozingo
Adult Education
Curriculum Design and Instructional Services
Early Childhood
ELL Services
Library/ Media
Special Education Services
Talent Development
Talented and Gifted Services
Title I Programs
Elementary School Instruction
Dr. Lisa Piehota
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Superintendent Designee
Tammy Ignacio
Business Partnerships
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Grants Development
Emergency Management
Onboarding
Strategic Planning and Policy
Students and Schools
Pre-K-5 Principals
K-5 Principals
Pre-K-8 Principals
Middle School Principals
High School Principal
Alternative Programs
Financial Services
Superintendent Designee
Stacey B. Johnson
Accounting
Budget
Financial Systems and Reporting
Fiscal Procedures and Compliance
Grants Management
Payroll
Procurement
Student Services, Equity and Alternative Programs
Dr. Julie Crawford
Alternative Education Programs
Equity and Cultural Competence
Family and Community Engagement
Home Schooling
School Counseling Services
School Health Services
School Psychology Services
School Social Worker Services
Student Hearings
Title IX Compliance
Secondary School Instruction
Gerald Mann
Middle and High School Principals
Human Resources
Kevin North
Compensation and Benefits
Employee Relations
Employment Services
Accountability
Clinton Page
Data Analysis & Reporting
Evaluation & Research
Technical Support
Test Administration
Technology Services
Dr. Elizabeth Hoover
Education and Business Applications
FOIA
Help Desk
Instructional Technology
Network Infrastructure
Online Learning
Records Management
Student Data
Web Services
Operations
Clarence Stukes
Educational Facilities
Pupil Transportation
School Nutrition Services

Association of School Business Officials International

The Certificate of Excellence in Financial Reporting Award
is presented to

Alexandria City Public Schools

For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2014

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards

Mark C. Pepera, MBA, RSBO, SFO	John D. Musso, CAE, RSBA
President	Executive Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Alexandria City Public Schools

Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

Alexandria City Public Schools

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FINANCIAL SECTION

Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

ACPS' goal #1
Academic Excellence and Educational Equity: Every student will be academically successful and prepared for life, work, and college.

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CliftonLarsonAllen LLP
www.CLAconnect.com

INDEPENDENT AUDITORS' REPORT

The Members of the Alexandria City School Board
City of Alexandria Public Schools, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alexandria City Public Schools (ACPS) (a component unit of the City of Alexandria, Virginia), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise ACPS's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of ACPS as of June 30, 2015, and the respective changes in financial position and cash flows where applicable, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended June 30, 2015, ACPS adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.* As a result of the implementation of these standards, ACPS reported a restatement for the change in accounting principle (see Note 13). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis, the budgetary comparison schedules, schedule of funding progress, schedules of employer contributions, schedules of changes in net pension liability, and schedule of employer's share of net pension liability, as referenced in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ACPS's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary data is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical tables listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2015, on our consideration of ACPS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ACPS's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
November 24, 2015

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FINANCIAL SECTION

Management's Discussion & Analysis

ACPS' goal #2

Family and Community Engagement: ACPS will partner with families and the community in the education of Alexandria's youth.

Introduction

Our discussion and analysis of Alexandria City Public Schools' (ACPS) financial performance provides an overview of ACPS' financial activities for the fiscal year ended June 30, 2015. The intent of this management discussion and analysis is to consider ACPS' financial performance as a whole. Readers should also review the letter of transmittal, basic financial statements, notes to the basic financial statements, and supplementary information to enhance their understanding of ACPS' financial performance.

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Government Accounting Standards Board (GASB) in Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments, as amended. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. The reporting model is a combination of both government-wide financial statements and fund financial statements.

Financial Highlights

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The financial status of ACPS, as reflected by net position, increased by $9.6 million to ($178.5) million at June 30, 2015. Of this amount, $9.9 million is invested in capital assets, $2.0 million is restricted for grant programs and $14.8 million is restricted for health benefits reserves. The unrestricted net deficit decreased by $10.1 million, to a total of ($205.1) million.

The deficit in unrestricted net position reflects the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, which ACPS implemented in FY 2015. As a result of these pronouncements, ACPS recorded the net pension liability or asset, deferred inflows and outflows of resources, and pension expense for the three public employee retirement plans for ACPS employees and restated the FY 2015 beginning net position to a deficit of $188.1 million. These Statements are discussed further in the following section and the Notes to the Basic Financial Statements.

On a government-wide basis for governmental activities, the school division's revenues of $252.1 million exceeded expenditures of $242.5 million by $9.6 million.

FUND FINANCIAL STATEMENTS

As of the close of the current fiscal year, ACPS' governmental funds reported combined ending fund balances of $19.3 million, an increase of $1.1 million in comparison with the prior year. Of this $19.3 million combined fund balance, $7.0 million is available as unassigned fund balance and may be designated for use at the discretion of the School Board or management.

At June 30, 2015, the General Fund reported an ending fund balance of $12.4 million, an increase of $1.4 million from June 30, 2014. The fiscal year 2015 original budget included a planned use of fund balance in the amount of $4.6 million due to ongoing fiscal constraints, coupled with mandated increases to pension costs.

Overview of the Financial Statements

This Financial Section of the Comprehensive Annual Financial Report consists of four parts: 1) Management's Discussion and Analysis (MD&A), 2) basic financial statements (government-wide and fund statements) including notes to the financial statements, 3) required supplementary information, and 4) other supplementary information.

The basic financial statements consist of two kinds of statements that present different views of ACPS' financial activities. The government-wide financial statements provide both long-term and short-term information about ACPS' overall financial status. The fund financial statements report ACPS' operations in more detail than the government-wide statements.

The Statement of Net Position and Statement of Activities provide information on a government-wide basis. These statements present an aggregate view of ACPS' financial position. Government-wide statements contain useful long-term information as well as information for the just completed fiscal year.

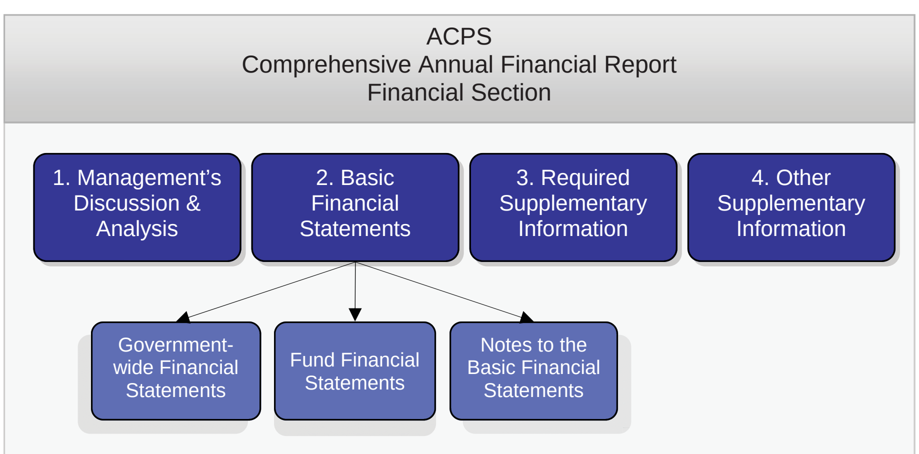
The remaining statements are fund financial statements that focus on the individual funds of ACPS, providing primarily short-term information. Fund statements report operations in more detail than government-wide statements.

The notes to the financial statements explain some of the information in the statements and provide additional disclosures so that statement users have a complete picture of ACPS' financial activities and position.

The required supplementary information further enhances the financial statements with budgetary comparisons and pension trend data. The budgetary comparisons provide three separate types of information: the original budget, the final amended budget and the actual expenditures. Two schedules of actuarial information are required to be presented in connection with OPEB Trust: a schedule of funding progress and a schedule of employer contributions. With the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, three additional statements are required to be presented in connection with the defined benefit plans; schedule of employer contributions, schedule of changes in net pension liability and a schedule of employer's share of net pension liability.

The other supplementary information refers to information about our fiduciary funds and is presented immediately following the required supplementary information on pensions.

The following diagram shows how the various parts of the financial section are arranged and relate to one another.



ACPS implemented the requirements of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, for the reporting period ending June 30, 2015.

Statement No. 68 addresses accounting and financial reporting for the activities of pension plans that are administered through trusts with certain characteristics. This Statement also establishes standards of financial reporting for separately issued financial reports of pension plans and specifies the required approach to measuring the pension liability of employers for benefits provided through the pension plan. The objective of this Statement requires ACPS to report on the government-wide statement of net position a "Net Pension Liability" if the obligation for pension benefits attributable to past service exceeds the resources held in the pension trust fund to pay benefits or a "Net Pension Asset" if the resources held in the pension trust fund to pay benefits exceeds the obligation for pension benefits attributable to past service.

As a result of this statement, ACPS established in the statement of net position, net pension assets totaling $23.3 million for the Employees Supplemental Retirement Plan and ACPS' portion of the Virginia Retirement Systems (VRS) Political Subdivision Retirement Plan and a net pension liability of $214.0 million for its proportionate share of the VRS Teacher Employers Retirement Plan. Additionally, due to a change in accounting principle by this Statement, the unrestricted, beginning net position for FY 2015 was decreased by $226.8 million and restated to a deficit of $215.2 million.

The provisions of Statement No. 71 are required to be applied simultaneously with the provisions of Statement No. 68. Statement No. 71 requires at transition, that a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

See Notes 7 and 13 for additional information in the footnote disclosures to our basic financial statements and Exhibits XIII-1, XIII-2 and XIII-3 in our Required Supplementary Information section.

Government-wide Financial Statements

The government-wide statements report information about ACPS as a whole, using accounting methods similar to those used in private-sector companies. The Statement of Net Position and the Statement of Activities provide information about the activities of the school division as a whole, presenting both an aggregate and a long-term view of the financial position. These statements include all assets, liabilities and deferred inflows and outflows of resources using the accrual basis of accounting. This basis of accounting includes all of the current year's revenues and expenses regardless of when cash is received or paid.

The Statement of Net Position presents information on all of ACPS' (1) assets and deferred outflows of resources, (2) liabilities and deferred inflows of resources, and (3) the difference between them reported as net position. Increases or decreases in net position over time may serve as a useful indicator of whether the financial position of the school division is improving or deteriorating.

The Statement of Activities presents information on ACPS' costs of providing services and the resources obtained to finance those services. This statement also highlights to what extent ACPS programs are able to cover their costs with user fees, operating grants and contributions, as opposed to being financed with general revenues. In addition, the statement provides overall information as to whether the financial position has improved or deteriorated during the fiscal year.

Financial Analysis of ACPS as a Whole

In government-wide financial statements, the activities can be divided into two categories: governmental activities and business-type activities. ACPS reports only governmental activities, since it has no business-type activities. The governmental activities of ACPS include the school division's principal functions, such as instruction, administration, operation and maintenance of school buildings, pupil transportation, food services, and attendance and health. These governmental activities are primarily supported by the City of Alexandria (the City), State aid and intergovernmental revenues.

In response to GASB Statement No. 34, the Virginia General Assembly passed a law that established the local option of creating, for financial reporting purposes, a tenancy in common between the city/county and the local school board when the city/county issues bonds for financing school construction. The sole purpose of the law is to allow cities and counties the ability to match the recording of school assets and related liabilities. As a result, certain school assets financed with the City's general obligation bonds are recorded as part of the primary government rather than as part of ACPS.

According to the law, the tenancy in common ends when the associated obligation is repaid; therefore, the assets will revert to the School Board when the bonds are repaid. Capital debt financing activities are not reported in the ACPS financial statements, but rather in the City's financial statements.

Net position. Table 1, below, provides a summary of ACPS' net position as of June 30, 2015 compared to June 30, 2014.

Summary of Net Position
As of June 30

	Governmental Activities Activities			Percentage Change
	2015	2014 *(RESTATED)*	Variance	2015-2014
ASSETS				
Current assets	$ 72,935,229	$ 69,112,716	$ 3,822,513	5.5%
Net OPEB asset	1,786,221	-	1,786,221	100.0%
Net Pension Assets	23,271,165	12,441,922	10,829,243	87.0%
Capital assets, net	9,862,313	9,666,296	196,017	2.0%
Total assets	107,854,928	91,220,934	16,633,994	18.2%
DEFERRED OUTFLOWS OF RESOURCES	19,381,485	15,509,533	3,871,952	25.0%
LIABILITIES				
Current liabilities	36,750,865	36,330,515	420,350	1.2%
Long-term liabilities	9,357,675	7,429,785	1,927,890	25.9%
Net pension liabilities	213,986,000	251,023,000	(37,037,000)	-14.8%
Total liabilities	260,094,540	294,783,300	(34,688,760)	-11.8%
DEFERRED INFLOWS OF RESOURCES	45,619,186	-	45,619,186	100.0%
NET POSITION				
Net investment in capital assets	9,862,313	9,666,296	196,017	2.0%
Restricted	16,773,840	17,449,685	(675,845)	-3.9%
Unrestricted	(205,113,466)	(215,168,814)	10,055,348	-4.7%
Total net position	$ (178,477,313)	$ (188,052,833)	$ 9,575,520	-5.1%

- **Current Assets** increased by $3.8 million or 5.5 percent from fiscal year 2014. The increase was primarily due to increases in balances due from the City, offset by decreases in amounts reimbursable from the Commonwealth and federal grants, and in prepaid items.

- **Net OPEB Assets** increased by $1.8 million, which reflects additional funding transferred to the OPEB trust from the Health Benefits fund in FY 2015.

- **Net Pension Assets** increased by $10.8 million, or 87.0 percent. The net pension asset in the Supplemental Retirement Plan increased by $7.5 million, and the net pension asset in the VRS non-professional plan increased by $3.3 million, as investment earnings exceeded current year pension costs.

- **Capital assets, net of depreciation** increased by $0.2 million or 2.0 percent from the prior year. This increase is due to increased capital asset additions in excess of current year depreciation. Although ACPS' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The Code of Virginia precludes school divisions from issuing general obligation debt. As a result, the City issues general obligation debt for ACPS and reports, and includes in its financial statements, the general obligation debt related to ACPS' capital assets. See Note 5 for additional information on capital assets.

- **Deferred Outflows of Resources** increased by $3.9 million, or 25 percent, reflecting the increase in deferred pension contributions in FY 2015.

- **Current liabilities** increased by $0.4 million, or 1.2 percent. Accounts payable decreased by $0.9 million, offset by increases in accrued personnel services and deferred revenues.

- **Long-term liabilities** increased by $1.9 million or 25.9 percent. Lease expenditures accrued during the rent abatement period for the ACPS administration offices lease at 1340 Braddock Place increased by $2.1 million, offset by $0.2 million in decreases in liability compensated absences and worker's compensation.

- **Net Pension Liabilities** decreased by $37.0 million, or 14.8 percent, in fiscal year 2015. A total of $15.1 million reflects the reversal of the FY 2014 deferred pension contributions. The remaining $21.9 million represents the excess of investment earnings over pension costs for the VRS professional plan in FY 2015.

- **Deferred Inflows of Resources** increased by $45.6 million in FY 2015. Of this, $37.6 million and $2.7 million are related to changes in the VRS professional and non-professional retirement plans, respectively and $5.3 million related to the Employees' Supplemental Plan. These changes reflect differences between the projected and actual investment earnings, and changes in ACPS' proportionate share of the total VRS Teacher Retirement Plan.

Changes in net position. The following table presents the changes in net position from fiscal year 2014 to 2015:

Changes in Net Position
For the fiscal years ending, June 30

	Governmental Activities			
	2015	**2014**	**Variance**	**% Change**
Revenues				
Program revenues:				
Charges for services	$ 1,954,159	$ 2,133,727	$ (179,568)	-8.4%
Operating grants and contributions	17,152,274	16,199,266	953,008	5.9%
General revenues:				
City appropriation	196,303,878	185,939,138	10,364,740	5.6%
State aid	35,999,443	34,039,898	1,959,545	5.8%
Other local funds	686,690	1,651,826	(965,136)	-58.4%
Total revenues	**252,096,444**	**239,963,855**	**12,132,589**	5.1%
Expenses				
Instructional:				
General instruction	178,975,925	173,706,777	5,269,148	3.0%
Adult education	957,153	900,966	56,187	6.2%
Summer school	792,906	668,925	123,981	18.5%
Support Services:				
Administration	16,485,282	16,686,774	(201,492)	-1.2%
Attendance and health services	5,704,138	5,733,737	(29,599)	-0.5%
Pupil transportation	9,344,396	8,101,913	1,242,483	15.3%
Plant operations and maintenance	18,475,458	16,194,488	2,280,970	14.1%
Operation of Noninstructional Services:				
Food services	7,619,108	6,507,249	1,111,859	17.1%
Capital improvement services	4,166,558	3,098,165	1,068,393	34.5%
Total expenses	**242,520,924**	**231,598,994**	**10,921,930**	4.7%
Change in net position	9,575,520	8,364,861	1,210,659	14.5%
Net Position-beginning balance *(restated)*	(188,052,833)			
Net Position-ending balance	**$ (178,477,313)**			

- Net Position increased by $9.6 million, or 14.5 percent, to ($178.5) million in fiscal year 2015 from ($188.1) million in fiscal year 2014. Total revenues increased by $12.1 million or 5.1 percent from fiscal year 2014, while expenses increased by $10.9 million or 4.7 percent.

- The City appropriation and general state aid accounted for most of ACPS' revenue, representing 92 cents of every dollar of revenue received. The remaining 8 cents of every dollar of revenue is funded with federal and state aid for specific programs, charges for services, and miscellaneous revenues.

- The majority of ACPS's expenditures are directly related to the provision of services to students, including classroom instruction, attendance and health, transportation and school nutrition. These services account for 83 cents of every dollar spent. The remainder supports administrative costs (7 cents per dollar), operations and maintenance (8 cents per dollar), and construction and renovations (2 cent per dollar).

Key elements of these changes during fiscal year 2015 were as follows:

- Operating grants and contributions increased by $1.0 million or 5.9 percent. This is due to a $0.6 million increase in Food Service grants, and a $0.4 million increase in grant revenues to support general instruction.

- The City appropriation increased 5.6 percent to $196.3 million. The total increase of $10.4 million includes an increase in the City's general appropriation of $6.2 million (to a total of $191.8 million) and an increase in the capital projects revenue of $4.2 million.

- State Aid increased 5.8 percent to $2.0 million primarily due to increased sales tax and basic aid revenues.

- Other local funds decreased by $1.0 million or 58.0 percent due to a reduction in federal grant indirect cost recoveries, associated with decreased federal grant spending and a reduction in the recovery rate, reduced tuition and program revenue associated with reduced participation in adult education and intersession programs, and reduced facility rental income.

- The total expenses for governmental activities increased by $10.9 million in FY 2015. The increase was primarily affected by the following:

    - General Instructional expenditures increased overall by $5.3 million, of 3.0 percent, primarily due to increases in personnel and instructional costs associated with growth in overall enrollment and the number of students with additional needs, such as English language learning and special education. The growth in general instructional expenditures reflects the continued realignment of our operating budget to dedicate more resources towards classroom instruction.

    - Plant operations expenditures increased by $2.3 million, or 14.1 percent, due to increased lease costs for the Central Office building at 1340 Braddock Place, costs for maintenance of ACPS facilities and utilities.

    - Pupil Transportation expenditures increased by $1.2 million, or 15.3 percent. Significant changes included increases in labor and benefits costs, public carriers, and vehicle maintenance, all associated with the additional transportation requirements of increased student enrollment.

    - Administration expenses decreased by $0.2 million or 1.2 percent, reflecting the difference between the accrual and actual expense paid for other post-employment benefits.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. ACPS, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All ACPS funds are reported in the governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information for governmental funds with similar information presented for governmental activities in the governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

ACPS' fund financial statements provide detail information about the most significant funds, and not ACPS as a whole. Governmental fund reporting focus on showing how money flows in and out of funds and the balances left at year-end that are available for spending. They are reported using modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of ACPS' operations and the services it provides.

The Board adopts an annual appropriated budget for all governmental funds. For fiscal year 2015, all governmental funds have been designated as major funds. The budgetary comparison schedules for the General, Grants and Special Projects and School Nutrition funds have been provided in the Required Supplementary Information section of this report (Exhibits IX, X and XI respectively).

As of the end FY 2015, ACPS' governmental funds reported combined fund balances of $19.3 million, an increase of $1.1 million in comparison with fiscal year 2014. Of this combined total fund balance, $1.1 million or 5.6 percent constitutes non-spendable fund balance which reflects inventories and prepaid items that are in a non-liquid form and cannot be spent, $2.0 million or 10.2 percent constitutes restricted fund balance which is externally restricted for grant programs, $3.3 million or 16.9 percent constitutes committed fund balance which has been designated by the School Board for use in fiscal year 2016, $6.0 million or 31.2 percent constitutes assigned fund balance which is designated for capital projects, school nutrition programs and outstanding encumbrances at year-end, and $7.0 million or 36.1 percent constitutes unassigned fund balance which is not constrained at all and can be used for any purpose by the Board. See Note 12 for additional information on our fund balance designations.

The following schedules present a summary of the General Fund by type of revenue and expenditures by function for the period ended June 30, 2015 as compared to June 30, 2014. They also depict the amount and percentage increases and decreases in relation to prior year amounts reported.

General Fund Revenues

The General Fund is the general operating fund of the Board that is used to account for all financial resources, except those required to be accounted in another fund.

Revenues for the General Fund totaled $228.9 million for 2015, which was $7.9 million or approximately 3.6 percent higher than revenues received in 2014. The majority of annual funding received by ACPS is paid by the City, which provided an appropriation of $191.8 million in FY 2015. This represented an increase of $6.2 million or 3.3 percent over the FY 2014 appropriation. The second largest revenue source is from the Commonwealth of Virginia. Income from the Commonwealth increased $2.0 million, or 5.8 percent, to a total of $36.0 million in FY 2015, primarily due to additional state sales taxes and basic aid.

Tuition and fees decreased by 26.9 percent due to reduced income from facility rentals, and reduced offerings in adult education and intersession programs.

Other local revenue sources decreased by 15.5 percent, primarily due to a reduction in federal grant indirect cost recoveries, associated with decreased federal grant spending and a reduction in the recovery rate.

General Fund Revenues by Source

Source	FY 2015 Amount (thousands)	FY 2015 Percent of Total	FY 2014 Amount (thousands)	FY 2014 Percent of Total	Increase (Decrease) from FY 2014 Amount (thousands)	Increase (Decrease) from FY 2014 Percentage Change
City of Alexandria	$ 191,812	83.8 %	$ 185,611	84.0 %	$ 6,201	3.3 %
State Aid	35,999	15.7	34,040	15.4	1,959	5.8
Federal Aid	119	0.1	117	0.1	2	1.7
Tuition and Fees	377	0.2	516	0.2	(139)	(26.9)
Other Local Funds	592	0.3	701	0.3	(109)	(15.5)
Total Revenues	$ 228,899	100.0 %	$ 220,985	100.0 %	$ 7,914	3.6 %

Amounts may not add due to rounding

General Fund Expenditures & Other Financing Sources and Uses

General Fund expenditures totaled $229.9 million for fiscal year 2015, which was an increase of $7.9 million, or 3.6 percent from fiscal year 2014. The following illustration presents the amounts of General Fund expenditures by function and the increase or decrease from the previous year for each function, as well as, the comparison of other financing sources and uses with the prior year.

For fiscal year 2015, the School Board awarded a 1.0 percent market rate adjustment to all eligible employees at the beginning of the fiscal year. This increase in personnel costs is reflected in all ACPS functions. Other significant changes in operating fund expenditures are summarized below:

General Fund Expenditures by Function and Other Financing (Sources) Uses

Function	FY 2015 Amount (thousands)	FY 2015 Percent of Total	FY 2014 Amount (thousands)	FY 2014 Percent of Total	Increase (Decrease) From FY 2014 Amount (thousands)	Increase (Decrease) From FY 2014 Percent Change
General instruction	$ 175,228	76.2 %	$ 171,000	77.0 %	$ 4,228	2.5 %
Adult education	601	0.3	529	0.2	72	13.6
Summer school	793	0.3	669	0.3	124	18.5
Administration	17,852	7.7	17,484	7.9	368	2.1
Attendance and health	5,932	2.6	5,628	2.5	304	5.4
Pupil transportation	10,050	4.4	9,536	4.3	514	5.4
Plant operations and maintenance	18,769	8.2	16,657	7.5	2,112	12.7
Food services	674	0.3	474	0.2	200	42.2
Total Expenditures	$ 229,899	100.0 %	$ 221,977	100.0 %	$ 7,922	3.6 %
Other Financing (Sources) Uses						
Transfers In	$ (3,645)		$ -		$ (3,645)	(100.0) %
Transfers Out	1,229		1,079		150	13.9 %
Total Other Financing (Sources) Uses, net	$ (2,416)		$ 1,079		$ (3,495)	

Amounts may not add due to rounding

- General instruction costs increased by $4.2 million, or 2.5 percent, due to instruction-based positions added to the budget, driven by continued student enrollment growth and the growing population of students with additional needs.

- Plant operations expenditures increased by $2.1 million, or 12.7 percent, due to increased lease costs for the Central Office building at 1340 Braddock Place, and costs for maintenance of ACPS facilities, utilities, and outsourcing of security and housekeeping services, offset by savings in worker's compensation expenses.

- Pupil Transportation expenditures increased by $0.5 million, or 5.4 percent, due to increases in labor and benefits costs, public carriers, and vehicle maintenance, all associated with the additional transportation requirements of increased student enrollment.

- Administration expenses increased $0.4 million, or 2.1 percent due to translation services associated with our increasing student and parent population with language needs, education-related travel, technology equipment and supplies.

The net total of Other Financing Sources and Uses increased by $3.5 million, from a net use of $1.1 million in FY 2014 to a net source of $2.4 million in FY 2015. This increase reflects a transfer from the health benefits fund of $2.4 million, a transfer of $1.3 million of excess fund balance from the Grants and Special Projects Fund (Medicaid Fund), and a transfer of $1.1 million from the operating fund to the Grants and Special Projects Fund reflecting the ACPS contribution to the Virginia Preschool Initiative program.

Fund Balances

The FY 2015 General Fund Original Budget, as adopted by the School Board, reflected the usage of $4.6 million of unassigned fund balance to offset the amount of budgeted expenditures and funds transfers that exceeded budgeted revenues. This budgeted usage of fund balance is consistent in the General Fund budget adoption process of prior years. During FY 2015, fund balance was increased by $1.4 million.

The Grant and Special Projects Fund is used to account for federal, state, and local grants restricted for specified school purposes by the grantor. During FY 2015, federal grant funding decreased by $0.5 million, or 4.5 percent, reflecting decreases in ACPS Title I awards. At June 30, 2015, the Grants and Special Projects Fund balance consisted of $2.0 million restricted for the purposes specified in the grant awards.

The Capital Projects Fund is used to account for the acquisition, renovation or construction of ACPS facilities. Payments for all capital projects initiated by ACPS, in accordance with the School Board and City Council approved ACPS capital plan, are processed and disbursed by the City. The $0.9 million fund balance in the Capital Projects Fund at June 30, 2015 represents those capital projects that were funded by the City without using debt proceeds.

As previously stated, certain school assets and projects may be financed with the City's general obligation bonds and as a result, disbursements for those activities are recorded as part of the primary government. Any capital debt financing activities are reported in the City's financial statements, and are not reflected in ACPS financial statements. According to law, the tenancy in common ends when the associated debt obligation is repaid, at which time the related assets revert to the School Board. No capital assets reverted to ACPS in 2015, due to the end of the tenancy in common.

The School Nutrition Fund is used to account for the preparation and serving of student meals. At the end of 2015, the School Nutrition fund balance reflected $0.2 million in nonspendable fund balance for inventory and prepaid items and $3.8 million in assigned fund balance for school nutrition operations. This fund is self-funded by the revenues earned and does not rely upon the General Fund to support its operations. Currently, the total fund balance represents approximately 4 months of operating costs and reflects the financial stability of this self-funded operation.

Capital assets

At June 30, 2015, ACPS had $9.9 million invested in land, buildings and building improvements, and furniture and equipment for governmental activities, net of accumulated depreciation (see Note 5 for additional information on capital assets). This amount represents an increase of $0.2 million from last year, as capital additions slightly exceeding depreciation expense for the current year.

During FY 2015, the construction of the new Jefferson-Houston PreK-8th Grade School was substantially completed. Approximately $11.8 million was spent during FY 2015, as the school opened in September for the start of the 2014-2015 school year. The new school replaces an 80,000 sq. ft., one story building, with a new state-of-the-art LEED-certified building, with 125,000 sq. ft., designed specifically for a PreK-8 curriculum program. This new school features Smartboards in every classroom, a rainwater harvesting system that recycles rainwater for use in flushing toilets and landscaping, a rooftop classroom space and solar observatory and distributed dining program that provides multiple eating areas in flexible use spaces in the building, eliminating the need for a cafeteria.

Other major capital asset activities during fiscal year 2015 included the following:

- New school bus and vehicle replacements – A total of $1.1 million was spent on replacement school buses and ACPS business-related vehicles.
- Roof Replacement – A total of $3.5 million was spent replacing major sections of roofing at Francis C. Hammond and George Washington middle schools, and the Minnie Howard campus of T.C. William high school.
- Capacity Projects – A total of $3.8 million was spent on capacity-related projects across the division, including $2.5 million at George Mason Elementary for the addition of modular classrooms and renovation and expansion of the cafeteria. This project was substantially completed by the beginning of the school year.
- T.C. Williams Tennis Courts – A total of $1.2 million was spent on this project that entails the construction of six tennis courts with lighting, landscaping, and associated site work at the high school campus. Substantial completion for this project, including the lights, is anticipated by the fall of 2015.

Under legislation passed by the General Assembly of Virginia, projects under construction and any school assets funded by the City's long-term debt are carried in the City's financial records until the associated debt has been paid in full. When the bonded debt is retired, the assets and any remaining asset value are transferred to ACPS. The table below reflects only assets that have been transferred to ACPS.

Capital Assets
(net of accumulated depreciation)
As of June 30

	Governmental Activities			
	2015	**2014**	**Increase (Decrease)**	**Percentage Change**
Land and land improvements	$ 999,381	$ 999,381	$ -	- %
Buildings and building improvements	2,287,718	2,247,504	40,214	1.8
Furniture and equipment	6,575,214	6,419,412	155,802	2.4
Totals	**$ 9,862,313**	**$ 9,666,297**	**$ 196,016**	**2.0 %**

General Fund Budgetary Highlights

The annual budget is prepared on a basis consistent with accounting principles generally accepted in the United States for the General Fund. All annual unencumbered appropriations lapse at fiscal year-end.

The budget is prepared by fund, organizational unit and account. During the fiscal year, upon receiving the final allocation from the State, transfers and adjustments are made to the budget allocation.

The following schedule presents a summary of the General Fund revenues and expenditures by type compared to the original and final budgets for the period ended June 30, 2015. Revenues in the original budget totaled $228.4 million, and were unchanged in the final budget. Expenditures in the original budget were $235.3 million, while the final budget totaled $236.4 million. The final expenditure budget reflects zero-sum changes made throughout the year, plus the increase associated with the expenditures of funds encumbered at the end of FY 2014.

Revenues and Expenditures
General Fund
Budget to Actual Comparison

	FY 2015			Variance from Final Budget Positive/(Negative)
	Original Budget	**Final Budget**	**Actual**	
Revenues				
Intergovernmental:				
City of Alexandria	$ 191,811,472	$ 191,811,472	$ 191,811,472	$ -
State aid	35,319,779	35,319,779	35,999,443	679,664
Federal aid	90,000	90,000	119,442	29,442
Tuition and fees	585,387	585,387	377,266	(208,121)
Other local funds	564,942	564,941	591,989	27,048
Total Revenues	228,371,580	228,371,579	228,899,612	528,033
Expenditures				
Salaries	148,159,901	147,863,477	145,193,704	(2,669,773)
Benefits	54,812,150	54,734,472	53,900,044	(834,428)
Purchased Services	11,741,967	12,424,711	11,068,248	(1,356,463)
Other Charges	10,589,685	10,475,760	9,842,564	(633,196)
Materials and Supplies	7,505,912	8,019,713	7,234,805	(784,908)
Capital Outlay	2,482,984	2,855,109	2,659,793	(195,316)
Total Expenditures	235,292,599	236,373,242	229,899,158	(6,474,084)
Excess (deficiency) of revenue over (under) expenditures	(6,921,019)	(8,001,663)	(999,546)	7,002,117
Other Financing Sources (Uses)				
Transfers In	3,645,949	3,645,949	3,645,949	-
Transfers Out	(1,290,871)	(1,290,871)	(1,228,687)	(62,184)
Total Other Financing Sources and Uses	2,355,078	2,355,078	2,417,262	(62,184)
Change in Fund Balance	$ (4,565,941)	$ (5,646,585)	$ 1,417,716	$ 7,064,301

- Actual General Fund revenues exceeded the budget by $0.5 million or 0.2 percent. Expenditures were $6.5 million or 2.7 percent less than the final budget.
- Actual combined salaries and benefits expenditures totaled $199.1 million, which is $3.5 million or 1.7 percent less than the final budget. This savings is associated with position vacancies and corresponding benefits.
- Actual purchased services were less than the final budget by $1.4 million or 10.9 percent, due to lower than planned expenditures for: professional and contractual services, particularly for

medical/legal, auditing/accounting, and staff development; maintenance services and contracts, notably contracts for building mechanical systems; clerical and professional temporary services; and miscellaneous other management and professional services.

- Actual other charges were less than the final budget by $0.6 million or 6.0 percent due to lower than planned expenditures for: utilities, including electricity and natural gas; education-related travel; awards and grants; and leases.

- Actual materials and supplies were less than the final budget by $0.8 million or 9.8 percent primarily due to lower than planned expenditures for: instructional supplies; software/online charges; food supplies; minor equipment; and vehicle parts and supplies..

- Actual capital outlay expenditures were less than budget by $0.2 million or 6.8 percent due to lower than planned costs for: technology equipment; furniture and fixtures, and grounds maintenance equipment.

The budget variances above do not include the value of any outstanding encumbrances that remained open at year end. There were outstanding encumbrances for the general fund totaling $1.3 million, that were carried over into FY 2016.

Fiduciary Funds

ACPS is the trustee for its employees' pension plan and other post-employment benefit trust. It is also responsible for an agency fund which covers the student activity fund (SAF) program. All of the fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from ACPS' government-wide statements because ACPS cannot use these assets to finance its operations. The financial statements for the plan are prepared on the accrual basis of accounting. The student activity monies are also accounted for in this fund type as an agency fund. The School Activity Account Fund is presented in Exhibits VII and XVI of this report.

The basic Fiduciary Fund financial statements are presented in Exhibits VII and VIII, and the combining statements for the Fiduciary Fund are presented in Exhibits XIV and XV of this report.

Economic Factors and 2015 Fiscal Year Budget

The School division considers many factors when developing the next year's budget. Primary factors include projected student enrollment growth compared to the student teacher ratios in each classroom and the number of new staff needed to meet those program goals, employee benefit increases, utility cost and other factors. ACPS continues to experience significant increases in student enrollment.

ACPS student enrollment continues to increase. From FY 2011 to FY 2015, enrollment increased on average by 4.3 percent annually, to a total of 14,224 in FY 2015. This represents a total increase of 2,225 students during that time period. Approximately 58 percent of this increase comes from student growth at the elementary level, 22 percent at the middle school level, and 20 percent at the high school level. During this same period, the combined funds budget has increased, on average, by approximately 4.0 percent per year.

Projected enrollment for the 2015-16 school year includes a 3.8 percent growth (about 545 students) and over the next five years through FY 2021, enrollment growth is projected to increase by over 2,830 students, or a total growth of 19.2 percent compared to our current level. ACPS has maintained smaller class sizes for an enhanced learning environment for students. Class size caps — 22 for kindergarten, 24 for grades 1 and 2, and 26 for grades 3 to 5 in elementary schools, remain competitive with other school divisions in Northern Virginia

The significant capacity needs that face ACPS require additional resources of space and staff to serve the needs of students. Planning for a new Patrick Henry K-8 school, to replace the current K-5 elementary school, is underway. Division-wide capacity solutions are currently under consideration, with particular focus on secondary school capacity. Achieving the capacity to serve our growing population of students is a challenge that provides significant spending pressure on our capital projects budget.

ACPS' growing student population continues to reflect very diverse demographics and special needs. Our students represent 128 different countries and speak 100 native languages. The enrollment in the English Language Learners (ELL) program represents 28.2 percent of total student population for FY 2015 and is one of the highest percentage of students receiving ELL services in the Northern Virginia school divisions. The proportion of our students participating in the free and reduced-price meal program in FY 2009 was 52.3 percent and this has increased in FY 2015 to 60.3 percent, which is the highest percentage of the Northern Virginia school divisions. This is significantly different than the general Alexandria City population, which has only 7.8 percent of the population living under the poverty line based on the U.S. Census Bureau, 2011-2013, data.

All of these factors contribute towards increased costs to educate our students and provide significant challenges towards balancing our budget.

In order to meet the changing needs of a rapidly growing student population with fewer resources available and in order to be respectful of the economic situation, ACPS has looked deeply and analytically at existing resources, to determine where they are being spent and how they are impacting on student learning. Using the School Board approved strategic plan, students' needs, and evidence-based research as the framework for resources allocation; ACPS has realigned or re-purposed budgeted funds to ensure that each and every student meets the expectations of the 21st Century education of excellence. ACPS has developed a budget that supports excellence for Alexandria students, families, teachers, leaders, employees and taxpayers while, at the same time, being responsive to a constrained economic environment.

Despite these very difficult economic times and the financial challenges associated with continued increased student enrollment and more diverse student needs to address, ACPS will continue to put its limited resources where it matters the most: To improve student learning for each and every child in the school division. Through resource realignment, ACPS will maintain small class sizes, dedicate more money to instruction, add more teachers for core classes, physical education, ELL and special education programs, and continue to fund school exemplary programs and teacher professional development.

In May 2015, the School Board adopted a balanced budget for fiscal year 2016 that reflected General Fund resources of $240.3 million, which includes the approved use of $3.3 million of available unrestricted fund balance. The FY 2016 budget reflects a thorough review of all programs and services to focus on student achievement.

The total expenditures of $240.3 million in the FY 2016 final operating budget is an increase of 1.7 percent compared to the FY 2015 final budget. The appropriation to ACPS from the City of Alexandria is $198.8 million an increase of 3.6 percent compared to the FY 2015 final budget. Total positions funded through combined funds show a net increase of 66.99 FTE or 2.9 percent, for a total of 2,406.63 FTEs.

Contacting the Alexandria City Public Schools Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of ACPS' finances and to show ACPS' accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Financial Services Department at Alexandria City Public Schools, 1340 Braddock Place, Alexandria, Virginia 22314, telephone 703-619-8040 or visit the school's web site at http://www.acps.k12.va.us/financial-services/finance/.

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FINANCIAL SECTION

Basic Financial Statements

ACPS' goal #3

An Exemplary Staff: ACPS will recruit, develop, support, and retain a staff that meets the needs of every student.

Exhibit I

Alexandria City Public Schools, Virginia
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Due from the City of Alexandria	$ 65,698,639
Due from other governments	5,343,892
Other receivables	598,850
Prepaid items and other assets	1,093,283
Inventories	200,565
Net OPEB asset	1,786,221
Net pension assets	23,271,165
Capital assets:	
Land	999,381
Other capital assets, net	8,862,932
Total assets	**107,854,928**
Deferred Outflows of Resources	
Employer retirement contributions	19,381,485
Total assets and deferred outflows of resources	**$ 127,236,413**
Liabilities	
Accrued personnel services	$ 23,952,357
Accounts payable	7,810,528
Deferred revenue	3,096,489
Long-term liabilities:	
Due within one year	1,891,491
Due in more than one year	9,357,675
Net pension liabilities	213,986,000
Total liabilities	**260,094,540**
Deferred Inflows of Resources	
Difference between projected and actual proportionate share of contributions	5,808,000
Difference between projected and actual investment earnings	39,811,186
Total deferred inflows of resources	**45,619,186**
Net Postion	
Net investment in capital assets	9,862,313
Restricted, for grant programs	1,964,980
Restricted for health benefits	14,808,860
Unrestricted	(205,113,466)
Total net postion	**(178,477,313)**
Total liabilities, deferred inflows of resources and net position	**$ 127,236,413**

See accompanying notes to the basic financial statements.

Exhibit II

Alexandria City Public Schools, Virginia
Statement of Activities
For the Year Ended June 30, 2015

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Instructional:				
General instruction	$ 178,975,925	$ 77,148	$ 11,167,437	$ (167,731,340)
Adult education	957,153	73,894	-	(883,259)
Summer school	792,906	66,235	-	(726,671)
Support Services:				
Administration	16,485,282	-	-	(16,485,282)
Attendance and health services	5,704,138	-	-	(5,704,138)
Pupil transportation	9,344,396	-	-	(9,344,396)
Plant operations and maintenance	18,475,458	119,190	-	(18,356,268)
Operation of Noninstructional Services:				
Food services	7,619,108	1,617,692	5,984,837	(16,579)
Capital Improvement Services	4,166,558	-	-	(4,166,558)
Total governmental activities	$ 242,520,924	$ 1,954,159	$ 17,152,274	(223,414,491)
	General revenues:			
	Intergovernmental:			
	City of Alexandria			196,303,878
	Commonwealth of Virginia			35,999,443
	Other			686,690
	Total general revenues			232,990,011
	Change in net position			9,575,520
	Net position-July 1, 2014 (restated)			(188,052,833)
	Net position-June 30, 2015			$ (178,477,313)

See accompanying notes to the basic financial statements.

Exhibit III

Alexandria City Public Schools, Virginia
Balance Sheet
Governmental Funds
June 30, 2015

	General	Capital Projects	Grants & Special Projects	School Nutrition	Total Governmental Funds
Assets					
Due from the City of Alexandria	$ 62,083,170	$ 3,615,469	$ -	$ -	$ 65,698,639
Due from other governments	1,818,053	-	2,491,867	1,033,972	5,343,892
Due from other funds	-	-	28,030	3,504,706	3,532,736
Other receivables	-	-	498,647	280	498,927
Prepaid items and other assets	878,714	-	210,400	4,169	1,093,283
Inventories	-	-	-	200,565	200,565
Total assets	$ 64,779,937	$ 3,615,469	$ 3,228,944	$ 4,743,692	$ 76,368,042
Liabilities					
Accrued personnel services	$ 24,166,722	$ -	$ 892,660	$ 354,628	$ 25,414,010
Accounts payable and accrued liabilities	3,691,601	2,722,993	86,059	232,293	6,732,946
Unearned revenue	2,940	-	285,245	113,775	401,960
Rent abatement credit	2,477,265	-	-	-	2,477,265
Due to other funds	21,996,707	-	-	-	21,996,707
Total liabilities	52,335,235	2,722,993	1,263,964	700,696	57,022,888
Fund Balances					
Nonspendable	878,714	-	-	202,894	1,081,608
Restricted	-	-	1,964,980	-	1,964,980
Committed	3,260,150	-	-	-	3,260,150
Assigned	1,309,039	892,476	-	3,840,102	6,041,617
Unassigned	6,996,799	-	-	-	6,996,799
Total fund balances	12,444,702	892,476	1,964,980	4,042,996	19,345,154
Total liabilities and fund balances	$ 64,779,937	$ 3,615,469	$ 3,228,944	$ 4,743,692	$ 76,368,042

See accompanying notes to the basic financial statements.

Exhibit III-1

Alexandria City Public Schools, Virginia
Reconciliation of the Governmental Funds Balance Sheet to
the Statement of Net Position
June 30, 2015

Total fund balances-governmental funds			$ 19,345,154
Amounts reported for governmental activities in the statement of net assets are different from amounts reported for governmental funds because:			
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. (Note 5)			
	Non-depreciable assets	$ 999,381	
	Depreciable assets	54,795,163	
	Less: Accumulated depreciation	(45,932,231)	9,862,313
Net OPEB Assets pertaining to amounts paid to the OPEB Trust in excess of the required of the required contributions, are not financial resources and are not reported in the funds.			1,786,221
Net Pension Assets recorded for the amount of Plan Fiduciary Net Position in excess of Total Pension Liability that is included in the Statement of Net Position. (Note 7)			
	VRS Political Subdivision Retirement Plan	3,442,954	
	Employees Supplemental Plan	19,828,211	23,271,165
Deferred Outflows of Resources pertaining to employer retirement contributions made after the plan measurement date that is included in the Statement of Net Position. (Note 7)			
	VRS Political Subdivision Retirement Plan	428,373	
	VRS Teacher Retirement Plan	18,953,112	19,381,485
Liabilities applicable to the ACPS' governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term obligations are not recorded in the governmental funds, but they are reported in the Statement of Net Position. (Notes 7 and 9)			
	Retirement Plan adjustments	(17,076)	
	Compensated absences, Long-term	(6,607,972)	
	Compensated absences, Current Increase	(429,840)	
	Workers' compensation claims	(272,437)	(7,327,325)
The Internal Service Fund is used by management to track and record the costs of the health insurance programs offered to employees and retirees. The assets and liabilities of the internal service fund is reported with governmental activities in the Statement of Net Position.			14,808,860
Deferred Inflows of Resources affecting total pension liabilities and retirement plan fiduciary net position, that are reported in the Statement of Net Position			
	Difference between projected and actual proportionate share of contributions	(5,808,000)	
	Difference between projected and actual investment earnings	(39,811,186)	(45,619,186)
Net Pension Liabilities recorded for the amount of Total Pension Liabilities that exceed the Plan Fiduciary Net Position included in the Statement of Net Position. (Note 7)			(213,986,000)
Total net position of governmental activities in the Statement of Net Position			**$ (178,477,313)**

See accompanying notes to the basic financial statements.

Exhibit IV

Alexandria City Public Schools, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	General	Capital Projects	Grants & Special Projects	School Nutrition	Total Governmental Funds
Revenues					
Intergovernmental:					
City of Alexandria	$ 191,811,472	$ 4,492,406	$ -	$ -	$ 196,303,878
State aid	35,999,443	-	3,265,747	121,568	39,386,758
Federal aid	119,442	-	7,019,342	5,863,269	13,002,053
Tuition and fees	377,266	-	53,900	-	431,166
Food sales	-	-	-	1,572,260	1,572,260
Other	591,989	-	762,907	45,433	1,400,329
Total revenues	228,899,612	4,492,406	11,101,896	7,602,530	252,096,444
Expenditures					
Current:					
General instruction	175,227,630	-	11,113,197	-	186,340,827
Adult education	601,066	-	356,087	-	957,153
Summer school and kindergarten prep	792,906	-	-	-	792,906
Administration	17,852,481	-	646,520	-	18,499,001
Attendance and health services	5,931,838	-	7,465	-	5,939,303
Pupil transportation	10,049,673	-	1,609	-	10,051,282
Plant operations and maintenance	18,769,541	-	41,668	-	18,811,209
Food services	674,023	-	19,190	7,099,390	7,792,603
Capital improvement services	-	4,166,558	-	-	4,166,558
Total expenditures	229,899,158	4,166,558	12,185,736	7,099,390	253,350,842
Excess (deficiency) of revenues over (under) expenditures	(999,546)	325,848	(1,083,840)	503,140	(1,254,398)
Other Financing Sources (Uses)					
Transfers In	3,645,949	-	1,228,687	-	4,874,636
Transfers Out	(1,228,687)	-	(1,321,317)	-	(2,550,004)
Total other financing sources (uses)	2,417,262	-	(92,630)	-	2,324,632
Net change in fund balances	1,417,716	325,848	(1,176,470)	503,140	1,070,234
Fund Balances-July 1, 2014	11,026,986	566,628	3,141,450	3,539,856	18,274,920
Fund Balances-June 30, 2015	$ 12,444,702	$ 892,476	$ 1,964,980	$ 4,042,996	$ 19,345,154

See accompanying notes to the basic financial statements.

Exhibit IV-1

Alexandria City Public Schools, Virginia
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015

Net change in fund balances-total governmental funds		$	1,070,234
Amounts reported for governmental activities in the Statement of Activities are different because:			
Amount of pension contribution is greater than the pension cost. This is the net increase in the pension asset in the current period. (Note 7)			6,101,935
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded new capital outlays in the current period. (Note 5)			196,016
In the Statement of Activities, sick pay, vacation pay, workers' compensation, and other postemployment benefits are measured by the amount accrued during the year. In governmental funds, expenditures for these items are measured by the amount actually paid. (Notes 8 & 9)			
Compensated absences. LT Increase	$ (131,654)		
Compensated absences, Current Increase	(226,093)		
Workers' compensation	38,700		
Other postemployment benefits	2,025,757		1,706,710
The Internal Service Fund is used by management to track and record the costs of the health insurance programs offered to employees and retirees. The net revenue of the internal service fund is reported with governmental activities.			500,625
Change in net position of governmental activities in the Statement of Activities		**$**	**9,575,520**

See accompanying notes to the basic financial statements.

Exhibit V

Alexandria City Public Schools, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2015

	Health Benefits Fund
Assets	
Due from other funds	$ 18,463,971
Other receivables	99,923
Total assets, current	18,563,894
Liabilities	
Accounts payable	104,452
Unearned revenue	2,694,529
Incurred but not reported claims	956,053
Total liabilities, current	3,755,034
Net Position	
Restricted	14,808,860
Total net position	$ 14,808,860

See accompanying notes to the basic financial statements.

Exhibit VI

Alexandria City Public Schools, Virginia
Statement of Revenues, Expenditures, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Health Benefits Fund
Operating Revenues	
Charges for services	$ 26,285,017
Total operating revenues	26,285,017
Operating Expenses	
Claims and benefits paid	12,914,943
Premiums	7,833,762
Administrative costs	851,876
Other Post Employment Benefits Contributions	1,859,179
Total operating expenses	23,459,760
Operating income	2,825,257
Other Financing Sources (Uses)	
Transfers Out	(2,324,632)
Change in net position	500,625
Net Position- July 1, 2014	14,308,235
Net Position- June 30, 2015	$ 14,808,860

See accompanying notes to the basic financial statements.

Exhibit VI-1

Alexandria City Public Schools, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Health Benefits Fund
Cash Flows from Operating Activities	
Receipts from customers	$ 26,977,229
Payments to providers for services	23,765,410
Net cash provided by operating activities	3,211,819
Cash Flows from Financing Activities	
Transfers to the General Fund	(2,324,632)
Net change in due from other funds (equity in pooled cash)	887,187
Due from other funds (equity in pooled cash), beginning of year	17,576,784
Due from other funds (equity in pooled cash), end of year	$ 18,463,971
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	$ 2,825,257
Adjustments to reconcile operating income to net cash provided by operating activities	
Change in assets and liabilities:	
Decrease in other receivables	6,134
Decrease in prepaid items	507,866
Decrease in accounts payable	(735,604)
Increase in unearned revenue	686,078
Decrease in incurred but not reported claims	(77,912)
Total adjustments	386,562
Net cash provided by operating activities	$ 3,211,819

See accompanying notes to the basic financial statements.

Exhibit VII

Alexandria City Public Schools, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Pension and Other Employee Benefit Trust Funds	Agency Fund-Student Activity
Assets		
Cash held on behalf of student activity fund	$ -	$ 581,393
Investments, at fair value:		
Bonds	59,631,815	-
Mutual funds	43,188,695	-
Real estate	13,100,984	-
Global asset allocation	14,360,410	-
Cash	242,372	-
Accounts Receivable	183,447	-
Total assets	**130,707,723**	**$ 581,393**
Liabilities		
Due to student groups	-	581,393
Total liabilities	**-**	**$ 581,393**
Net Position		
Investments held in trust for pension and other employee benefits	130,707,723	
Total net position	**$ 130,707,723**	

See accompanying notes to the basic financial statements.

Exhibit VIII

Alexandria City Public Schools, Virginia
Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Year Ended June 30, 2015

	Pension and Other Employee Benefit Trust Funds
Additions	
Employer contributions	$ 4,031,782
Employee contributions	2,208,146
Net investment income	3,064,953
Total additions	9,304,881
Deductions	
Benefit payments	7,182,868
Administrative expenses	169,745
Total deductions	7,352,613
Change in net position	1,952,268
Net position-July 1, 2014	128,755,455
Net position-June 30, 2015	$ 130,707,723

See accompanying notes to the basic financial statements.

NOTE 1. Summary of Significant Accounting Policies

a) Reporting Entity

The School Board of the City of Alexandria is a separately-elected governing body operating under the Constitution of Virginia and the Code of Virginia. Since FY 1995, the members of the School Board (Board) have been elected by the citizens of the City of Alexandria (City) to serve three-year terms. The Board determines educational policies and appoints a superintendent of schools to implement the Board's policies. The superintendent is also responsible to the Board for administering the operations of the school system, supervising personnel and advising the Board on all educational matters for the welfare of the students. The mission of Alexandria City Public Schools (ACPS) is to deliver high-quality instruction to a highly-diverse student population so that all students achieve at their highest potential.

The City Council (Council) annually approves the Board's total annual General Fund budget appropriation, levies taxes, and issues debt for school projects. The legal liability for the general obligation debt issued for school capital assets remains with the City. Funds also are received from state and federal sources for general school aid and specific grant purposes, respectively. The Council is prohibited from exercising any control over specific appropriations within the operating budget of the Board. ACPS is considered to be a discretely presented component unit of the City because ACPS is fiscally dependent on the City and its operations are funded primarily by payments from the City's general fund. The Board has the discretionary authority to expend the amount appropriated to it by the Council.

Basis of Financial Statement Presentation and Fund Accounting

The financial statements of ACPS have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing local governmental accounting and financial reporting principles. The reporting model was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

Management's Discussion and Analysis (MD&A) The purpose of the MD&A is to provide an analysis of ACPS' overall financial strength and operating results. It also includes a description of currently known facts, decisions, or conditions expected to have a significant effect on the future financial position of the school division.

Government-wide financial statements These include financial statements prepared using full accrual accounting for all of the government's activities. Under the accrual basis, all revenues and costs of providing services are reported, not just those received or paid in the current year or soon thereafter. This approach includes not just current assets and liabilities, but also capital assets and long-term liabilities.

Fund financial statements GASB Statement No. 34 requires governmental entities to present financial statements with information about funds with a focus on ACPS major funds.

Budgetary comparison schedule The budgetary comparison schedule requires the presentation of both the original budget and final budget and comparison to the actual results.

b) Basis of Presentation

Government-wide Financial Statements The Statement of Net Position and the Statement of Activities report information on all the activities of ACPS, except for fiduciary funds. The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The fund statements are presented on a current financial resources measurement focus and use the modified accrual basis of accounting, except the proprietary and fiduciary fund statements which use the accrual basis. Governmental fund financial statements, therefore, includes a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program within ACPS' governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore are clearly identifiable to a particular function. Revenues which are not classified as program revenues are presented as general revenues of ACPS. The comparison of direct expenses with program revenues identifies the extent to which the governmental function is self-financing or draws from the general revenues of ACPS.

Program revenues are financed by those who use the services of the program or from grants and contributions from parties outside ACPS which are restricted for use in the specific program. These revenues reduce the cost of the functions to be financed from ACPS' general revenues. Charges for services include general and adult education tuition, cafeteria sales, lease of facilities and summer school tuition. Program-specific operating grants and contribution revenues include the National School Lunch program and other federal grants and reimbursements.

Expenses are grouped in four broad categories: instructional, support services, operation of non-instructional services and capital improvement services. Some functions classified under support services include expenses that are, in essence, indirect expenses of instructional functions. However, ACPS does not allocate those indirect expenses to the instructional programs. Depreciation expense is specifically identified by function and is included in the direct expense of each applicable function.

The government-wide financial statements report information on all the activities of ACPS. The effect of interfund activity has been removed from these statements.

Fund Financial Statements Fund financial statements report detailed information about ACPS. Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements, while the internal service fund is presented in separate columns as well. The focus of governmental fund financial statements is on reporting major funds rather than on reporting funds by type. Each major fund is presented in a separate column. All governmental funds have been designated as major funds for 2015. Fiduciary funds include the pension and other employee benefit trust funds and agency funds.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current resources measurement focus. The financial statements for governmental funds consist of a balance sheet, which generally includes only current assets, current liabilities, and deferred outflows and inflows, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. The proprietary fund, distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services. Revenues and expenditures not meeting these criteria are reported as non-operating revenues and expenses.

ACPS uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain ACPS functions and activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental funds Governmental funds are those through which most governmental functions of the Board are financed. The acquisition, use and balances of ACPS' expendable financial resources and the related liabilities are accounted for through governmental funds. ACPS' main operating fund is reported as a major fund. Major funds are determined based on the ratio of each fund compared to the fund category total or by management discussion. The following are ACPS' major governmental funds:

- ***General Fund*** – the General Fund is the primary operating fund of ACPS. It is used to account for all financial resources, except those required to be accounted for in another fund.

- ***Capital Projects Fund*** – the Capital Projects Fund is used to account for financial resources used in the acquisition, construction or renovation of major facilities of ACPS.

- ***Grants and Special Projects Fund***- is a special revenue fund used to account for Federal, State, non-profit, and private industry grants that are restricted to expenditures for specific purposes.

- ***School Nutrition Fund*** is a special revenue fund which accounts for the activities of the cafeterias operating in each school. Revenues include federal and state funds, donated commodities, charges for services, and other sales.

Proprietary funds – Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations.

- ***Health Benefits Fund-*** is an internal service fund. This fund was created to better manage health care expenses within ACPS. The primary source of revenue for this fund are employer contributions paid by other funds and employee contributions deducted from employee pay on a semi-monthly basis.

Fiduciary funds – Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements, because the resources of those funds are not available to support the Board's programs. The following are ACPS fiduciary funds.

- ***Pension and Other Employee Benefit Trust Funds*** – Pension and other employee benefit trust funds are fiduciary funds used to account for assets held in a trustee capacity for the members and beneficiaries of the Employees' Supplemental Retirement Plan and for the School Other Post-employment Benefits (OPEB) Trust Fund.

- ***Agency Fund*** – the Student Activity Fund accounts for student activity monies held by the school principals at each school.

c) Budgetary Comparison Schedule

ACPS is required to present certain required supplementary information (RSI) within its basic financial statements. Demonstrating compliance with the legally-adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the school's annual operating budget and have a keen interest in following the actual financial progress over the course of the year. The budgetary information presents the original budget, the final budget and actual results.

d) Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds are reported using the accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are both "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Federal and State reimbursement-type grants revenues are considered to be measurable and available as revenue when reimbursements for related eligible expenditures are collected within a year of the date the expenditure was incurred. ACPS considers all non-reimbursement type revenues available if they are collectible within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences and workers' compensation. Liabilities for compensated absences and workers compensation are recognized as fund liabilities and expenditures when amounts are due and payable.

State aid is recorded at the time of receipt or earlier, if the "susceptible to accrual" criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met.

Under the accrual basis of accounting, revenues are recognized when earned. Deferred inflows of resources arise when assets are recognized before revenue recognition criteria have been satisfied. Grant proceeds received before the eligibility requirements are met are recorded as deferred inflows. Revenue from the United States Department of Agriculture in the form of commodities is considered earned when the commodities are used. The value of unused commodities is reported as deferred revenue.

The pension trust fund is accounted for on a flow of economic resources measurement focus. With this focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Member and employer contributions are recognized in the period when due and ACPS has made a formal commitment to fund employees' contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Agency funds are custodial in nature and do not involve measurement of results of operations.

e) Encumbrance Accounting

Encumbrance accounting, which is the recording of purchase orders, contracts and other monetary commitments in order to reserve applicable portions of an appropriation, is used as an extension of formal budgetary control.

Encumbrances outstanding at year-end are classified as assigned in the General Fund or as assigned or restricted fund balance in the non-General Funds. Annual appropriations that are not spent or encumbered, lapse at year-end.

f) Governmental Accounting Standards Board (GASB) Pronouncements Implemented

During the fiscal year ended June 30, 2015, ACPS adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 68, Accounting and Financial Reporting for Pensions

Issued in June 2012, this Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.

This Statement, improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement established standards for measuring and recognizing pension related liabilities, deferred outflows of resources and deferred inflows of resources and expense/expenditures.

Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68

Issued in November 2013, the provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. This Statement requires at transition, that a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

g) Cash and Investments

ACPS cash balances in all funds, except for fiduciary funds, are held by the City and are invested to the extent available by the City Treasurer. These balances are invested in repurchase agreements and obligations of the federal government and are recorded at fair value. The fair value of investments is based on quoted market prices. These balances are reflected as amounts due from the City in the financial statements. The pension and OPEB investments reflected in the Fiduciary Funds are discussed in Note 2. The cash in the Agency Fund represents the student activity fund cash balances in the separate bank accounts maintained by the individual schools. Due to the fact that these funds are accounted for on the cash basis of accounting, accrued interest on certificate of deposits with a term of maturity longer than 1 year is not reflected in the cash balance.

h) Due from Other Governments and the City

The amount due from other governments consists primarily of receivables from state entitlements and federal and state reimbursement of grants expenditures. Amounts due from the City consist of ACPS' share of the pooled cash invested by the City to maximize interest earnings.

i) Interfund Transactions

Cash for governmental and proprietary funds is held, as pooled cash, by the City, and reflected in the General Fund's Due from the City balance. Governmental and proprietary funds reflect their equity interest in the pooled cash held by the City as due to or due from the General Fund. These amounts are eliminated in the government-wide Statement of Net Position. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flow of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the proprietary funds.

The composition of interfund receivables and payables balances as of June 30, 2015 were as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	$ -	$ 21,996,707
Grants & Special Projects Fund	28,030	-
School Nutrition Fund	3,504,706	-
Health Benefits Fund	18,463,971	-
Total	$ 21,996,707	$ 21,996,707

Interfund transfers for the year ended June 30, 2015 were as follows:

Fund	Transfers From Other Funds	Transfers To Other Funds
General Fund	$ 3,645,949	$ 1,228,687
Grants & Special Projects Fund	1,228,687	1,321,317
Health Benefits Fund	-	2,324,632
Total	$ 4,874,636	$ 4,874,636

Transfers were used to move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires expending them or to move resources from proprietary or special revenue funds as authorized by Board resolution.

j) Inventories and Prepaid Items

Inventories consist of various consumable supplies and commodities maintained by the Food and Nutrition Services office. The School Nutrition Fund values and carries its inventory on a cost basis using the weighted-average method. The purchase method of accounting is used in the governmental funds. Reported inventories in the governmental funds are equally offset by a nonspendable fund balance designation which indicates the inventories do not constitute “available spendable resources”. Food commodities received from the United States Department of Agriculture (USDA) are stated at fair market value and the amount consumed is recognized as revenue. The amount of unused food commodities is reported as inventory and unearned revenue. Beginning with the school year 2007-2008, ACPS elected to participate in the single food inventory record keeping system which allows the combination of USDA commodity and commercial inventory records. This program was approved jointly by the USDA and Commonwealth of Virginia FNS Child Nutrition and Food Distribution Divisions.

Prepaid Items reflect certain payments to vendors for costs applicable to future accounting periods. These transactions are recorded as prepaid items in both the government-wide and governmental fund financial statements using the consumption method. Prepaid items in the governmental funds are classified as nonspendable in the fund balance. Refer to Note 3 for additional information on prepaid items.

k) Capital Assets

Capital outlays are recorded as expenditures in the governmental funds and as assets in the government-wide financial statements to the extent the ACPS capitalization threshold is met.

Capital assets are defined by ACPS as assets with an initial, individual cost of more than $5,000. Major additions, including those that significantly prolong a capital asset's economic life or expand its usefulness, are capitalized. Normal repairs that merely maintain the asset in its present condition are recorded as expenses and are not capitalized. Depreciation expense for capital assets is identified with a specific function and is included as a direct expense on the statement of activities.

All capital assets are capitalized at historical cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at estimated fair value at the date of donation. ACPS does not own any infrastructure. Upon sale or retirement of equipment, the cost and related accumulated depreciation, if applicable, are eliminated from their respective accounts and any resulting gain or loss is included in the results of operations.

All reported capital assets other than land are depreciated. Building improvements are depreciated over the shorter of ten years or the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings	40 years
Building improvements	10 years
Furniture and equipment	5-10 years

l) Deferred Outflows

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of the resources (expenditure) until the future period. At June 30, 2015, ACPS had $19.4 million of deferred outflows of resources, pertaining to employer retirement contributions made after the plan measurement dates.

m) Deferred Inflows

A deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For government-mandated and voluntary non-exchange transactions, a deferred inflow is reported when resources are received before time requirements are met. At June 30, 2015, ACPS had $45.6 million of deferred inflows of resources, pertaining to the difference between projected and actual proportionate share of contributions ($5.8 million) and the difference between projected and actual investment earnings on pensions ($39.8 million).

n) Compensated Absences

ACPS accrues compensated absences when vested. All annual and vested sick leave benefits are accrued as a liability when earned by the employees and are reported in the government-wide financial statements. The only portion of the accrued compensated absences liability that is reported in the governmental funds is that which pertains to those employees who retired or resigned on or before June 30, 2015, and have not received payment for their accrued compensatory leave as of June 30, 2015.

<u>Annual Leave</u>: Eligible ACPS employees are granted annual leave in varying amounts, based on length of service. Upon retirement, resignation, termination, or death, employees may be compensated for accrued leave at their current per diem rate of pay up to a maximum of 45 annual leave days. Annual leave is accrued as it is earned.

<u>Sick Leave</u>: Sick leave eligibility and accumulation is specified in the employee handbooks. Upon retirement, resignation, or death, employees receive a lump-sum payment based on daily rates approved by the Board. ACPS does not compensate terminating employees for unused sick leave unless they have completed three consecutive years of employment. Sick leave is accrued for the amount earned and vested.

<u>Personal Leave</u>: Full-time employees are granted four personal leave days per year and may accumulate up to eight days per year. Unused personal leave accumulated in excess of the eight days may be carried forward at the end of the year as accumulated sick leave. Personal leave is credited to each employee at the beginning of each contract year.

o) Net Position

Net position represent the difference between assets and deferred inflows combined and liabilities and deferred outflows combined on the government-wide statements. In the government-wide fund financial statements, ACPS' net position fall into three categories: net investment in capital assets, restricted and unrestricted. The first category represents the portion of net position related to capital assets, net of accumulated depreciation and any related debt or capital lease obligations. The restricted category represents the position with constraints placed upon their use. The constraints are either: (1) externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or (2) imposed by law or through constitutional provisions or enabling legislation.

The unrestricted category represents the remaining amount of net position that may be used to meet ACPS' ongoing programs. In the fiduciary fund financial statements, ACPS' net position is categorized as held in trust for pension benefits, which represent the amount of assets accumulated for the payment of benefits to the beneficiaries of the ACPS Supplemental Retirement Plan. When both restricted and unrestricted net position is available for an expense, ACPS applies restricted resources first.

Due to the implementation of GASB Statement 68, the net position balance as of July 1, 2014, has been restated. See Note 13.

p) Fund Balance

Fund balance is categorized within one of the five classifications listed below based primarily on the extent to which the School Board is bound to observe constraints imposed upon the use of resources in the governmental funds. ACPS classifies governmental fund balances as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements. Criteria include items that are not expected to be converted into cash, for example inventories or prepaid items.

Spendable Fund Balance
Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the division through formal action by the School Board, the highest level of decision making authority. Committed balances are classified as such as a result of the School Board taking formal action and adopting a resolution which can only be modified or rescinded by a subsequent formal action.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The Chief Financial Officer and Director of Accounting are authorized by the School Board to assign Fund Balance amounts for specific purposes.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

ACPS uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements. Additionally, ACPS would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Board approved a resolution to delegate the authority to assign fund balance to the Chief Financial Officer and Director of Accounting.

ACPS does not have a formal minimum fund balance policy, since the division is fiscally dependent upon the City and the City maintains an adequate fund balance.

For further details of the various fund balance classifications, refer to Note 12.

q) Use of Estimates

The preparation of the accompanying financial statements required management to make estimates and assumptions about certain amounts included in the financial statements. Actual results will invariably differ from these estimates.

r) Pension Trust Fund

A trust fund is used to account for assets held in a trustee capacity. The pension trust fund is used to account for the Supplemental Retirement System of Alexandria City Public Schools, a single-employer defined benefit pension plan. The Other Post-employment Benefit Trust Fund accounts for accumulating and investing for post-employment health benefit subsidies.

s) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Retirement Plan and the Political Subdivision Retirement Plan and the additions to/deductions from the Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Supplemental Retirement Plan and the additions to/deductions from the Employees' Supplemental Retirement Plan's net fiduciary position have been determined on the same basis. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

t) Accrued Personnel Services

At the discretion of ACPS, teachers' payroll is expended over the 10- month school year. Consequently, accrued personnel services at June 30, 2015 include salaries earned prior to year-end but not distributed until the months of July and August 2015.

u) Income Tax

ACPS, as a component unit of the City of Alexandria, is exempt from all income taxes imposed by any governing body, and, accordingly, no provision for income taxes is recorded.

NOTE 2. Deposits and Investments

ACPS cash balances from all funds are combined and invested to the extent available by the City Treasurer. ACPS maintains a controlled disbursement account by which funds are automatically transferred from the City's pooled account to pay ACPS checks drawn on the ACPS account. Since ACPS' cash and investments are maintained and controlled by the City, ACPS' equity in pooled cash held in the City treasury is presented in the financial statements as due from the City of Alexandria.

A. Deposits

As of June 30, 2015, the carrying value of ACPS' deposits held by the City was $1.61 million in overdraft, of which the City will guarantee payment. ACPS's balances for student activity agency funds was $0.58 million and the carrying amount of deposits held by area financial institutions was $0.58 million. The entire bank balance for each of these accounts was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act). The Act provides for the pooling of collateral pledged with the Treasurer of Virginia to secure public deposits as a class. No specific collateral can be identified as security for one public depositor and public depositors are prohibited from holding collateral in their name as security for deposits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loan associations. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance. If any member institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. Funds deposited in accordance with the requirements of the Act are considered fully secured. The City maintains all ACPS funds except for those of the agency fund, which are maintained by school principals, and the pension trust fund, which is maintained by the pension administrator.

B. Investments

The City Treasurer's investment policies apply to the ACPS investments controlled by the City. The Treasurer's investment policy addresses custodial risk, interest rate risk, and credit risk, in which instruments are to be diversified and maturities timed according to anticipated needs in order to minimize any exposure. There is no foreign currency risk since the City's investment policy limits investments to obligations of the United States and agencies thereof, commercial paper, banker's acceptances and repurchase agreements fully collateralized in obligations of the United States and agencies thereof and the State Treasurer's Local Government Investment Pool (LGIP), CDARS (the Certificate of Deposit Account Registry Service), ICS (Insured Cash Sweeps) and NOW accounts (Negotiable Order of Withdrawal).

During fiscal year 2015, most of the City investments were placed in the State Treasurer's Local Government Investment Pool (LGIP). The LGIP is under the supervision of the Virginia Treasury Board and audited by the Auditor of Public Accounts. However, some investments were made in CDARS, ICS and NOW accounts were deposits are eligible for FDIC insurance. The LGIP is rated 'AAAm' by Standard & Poor's Rating Services. This rating is the highest principal stability fund rating assigned by Standard & Poor.

The City and its discretely presented components units' investments are subject to interest rate, credit and custodial risk as described below.

- **Interest Rate Risk**- As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits at least half of the City's investment portfolio to maturities of less than one year.

- **Credit Risk** – State Statutes authorize the City to invest in obligations of the US or agencies thereof, obligations of the Commonwealth of Virginia or political subdivision thereof, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements and Virginia Local Government Investment Pool. The

City's current investment policy limits investments to obligations of the US and agencies thereof, commercial paper and repurchase agreements fully collateralized in the Obligations of the United States and agencies thereof and the State Treasurer's Local Government Investment Pool (LGIP), CDARS (the Certificate of Deposit Account Registry Service, a service that allows FDIC insured institutions to provide their customers with access to full FDIC insurance on CD investments up to $50 million), Insured Cash Sweeps (ICS) and NOW accounts (Negotiable Order of Withdrawal, an interest bearing bank account with which the customer is permitted to write drafts against money held on deposit). During the fiscal year, the City held its investments in LGIP, CDARS, ICS and NOW accounts, commercial paper, and investments of US agencies and VA municipalities.

- **Custodial Risk** – For an investment, custodial risk is the risk that in the event of the failure of the counter party the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Currently all City investments are held in LGIP, CDARS, ICS and NOW accounts. In the event the City has to invest in a local bank, the City requires a designated portfolio manager and, at the time funds are invested, collateral for repurchase agreements be held in the City's name by a custodial agent for the term of the agreement and investments in obligations of the United States or its agencies be held by the Federal Reserve in a custodial account.

ACPS participates in three pension plans, see Note 7. Two of these plans are part of the Virginia Retirement System (VRS) and are managed by the Commonwealth of Virginia. The Board has directed the Principal Financial Group, a company with an A+ (Superior) rating, the second highest, by A.M. Best rating agency, to invest funds for the School Supplemental Retirement defined benefit pension plan. Assets of the pension plans are invested by the pension carriers in accordance with the provisions of the Code of the Commonwealth of Virginia. The Board requires the pension carrier to invest the funds in a manner that fully guarantees the principal amount of the plan's assets.

At June 30, 2015, the cash and investment balances for ACPS were as follows:

INVESTMENT MATURITIES (in months)

	Fair Value	Less than 13 months	13-24 months	25-60 months	Longer than 60 months
Fixed Agency (Callable) Securities	$ 6,335,878	$ -	$ 1,644,547	$ 4,691,331	$ -
Fixed Agency (Non-Callable) Securities	857,300	-	-	857,300	-
Fixed Certificate of Deposit	10,525,732	5,485,467	2,978,749	2,061,516	-
Overnight Funds Securities	49,304,129	49,304,129	-	-	-
Taxable Muni (Callable) Securities	277,736	-	277,736	-	-
Taxable Muni (Non- Callable) Securities	6,918	-	6,918		-
Total Investments Controlled by the City	**67,307,693**	**54,789,596**	**4,907,950**	**7,610,147**	**-**
OPEB Trust Investments	13,465,105	-	-	-	13,465,105
Pension Plan Investments	117,059,171	-	-	-	117,059,171
Total Trust and Pension Plan Investments	130,524,276	-	-	-	130,524,276
Total Investments	$ 197,831,969	$ 54,789,596	$ 4,907,950	$ 7,610,147	$ 130,524,276

The pension plan investments consist of unallocated insurance contracts which are valued at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less refunds used to purchase annuities or pay administrative expenses. Funds under the contract that have been allocated and applied to purchase annuities are excluded from the pension plan's assets.

The following is a reconciliation of total deposits and investments to the government-wide financial statements and statement of fiduciary net position at June 30, 2015.

Investments (controlled by the City)	$ 67,307,693
Excess of outstanding checks over bank balance	(1,609,054)
Investments held in trust for retirement benefits	130,524,276
	196,222,915
Cash held on behalf of student activity funds	581,393
Total	$ 196,804,308

C. ACPS OPEB Trust Fund

Deposit and Investment Policies

The authority to establish the trust fund is set forth in Section 15.2-1244 of the Code, which provides for the purchase of investments that meet the standard of judgment and care set forth in Section 51.1-803 of the Code. ACPS, in accordance with this election, has joined the Virginia Pooled OPEB Trust Fund. Deposits to this trust are irrevocable and are held solely for the payment of OPEB benefits for ACPS.

ACPS invests the OPEB Trust Fund's assets with the Virginia Pooled OPEB Trust Fund (Pooled Trust) sponsored by the Virginia Municipal League and the Virginia Association of Counties (VML/VACo). The Pooled Trust is a pooled investment vehicle for participating local governments, school districts, and authorities in the State to accumulate and invest assets to fund other post-employment benefits. Investment decisions are made by the Board of Trustees (Trustees) of the Pooled Trust.

The ACPS OPEB Trust Fund's investment as of June 30, 2015, is summarized below:

Investment Type	Fair Value
Cash	$ 242,372
Bonds	3,177,765
Mutual Funds	6,665,227
Real Estate	929,092
Global Asset Funds	2,450,649
Total Investments	$ 13,465,105

NOTE 3. Prepaid Items

Prepaid items represent payments to certain health providers and other vendors applicable to future accounting periods.

Prepaid insurance	$	65,360
Prepaid other		1,027,923
Total	$	1,093,283

NOTE 4. Due from Other Governments

Amounts due from other governments at June 30, 2015 were:

A. Federal Government		
National School Meal Program	$	996,033
JROTC		9,974
Adult Literacy Services		51,936
Career and Technical Education -- Basic Grants to States		27,833
Title I Grants to Local Educational Agencies		1,249,209
Title I State Agency Program for Neglected and Delinquent Children and Youth		12,102
Improving Teacher Quality State Grants		76,538
English Language Acquisition State Grants		136,066
Special Education-Preschool Grants		8,418
Special Education-Grants to States		434,619
Education for Homeless Children and Youth		3,463
Total due from the Federal Government	$	3,006,191
B. Commonwealth of Virginia		
Juvenile Detention	$	460,523
VA Medicaid Assistance		879,766
VPSA Technology		414,000
State Sales Tax accrual		514,312
Miscellaneous Commonwealth programs		1,312
Total due from the Commonwealth of Virginia	$	2,269,913
C. City of Alexandria		
Miscellaneous	$	67,788

NOTE 5. Capital Assets

The following is a summary of the changes in capital assets for the year ended June 30, 2015.

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not depreciated				
Land and land improvements	$ 999,381	$ -	$ -	$ 999,381
Total capital assets not depreciated	999,381	-	-	999,381
Other capital assets:				
Buildings and building improvements	38,239,412	401,498	-	38,640,910
Furniture and equipment	16,990,126	1,408,728	2,244,601	16,154,254
Total other capital assets	55,229,538	1,810,226	2,244,601	54,795,164
Less accumulated depreciation for:				
Buildings and building improvements	35,991,909	361,284	-	36,353,193
Furniture and other equipment	10,570,714	1,252,926	2,244,601	9,579,039
Total accumulated depreciation	46,562,623	1,614,210	2,244,601	45,932,232
Total other capital assets, net	8,666,915	196,016	-	8,862,932
Total Capital Assets, net	$ 9,666,296	$ 196,016	$ -	$ 9,862,313

* Depreciation expense was charged to governmental functions as follows:

General instruction	$ 256,596
Pupil transportation	730,976
Administration	211,277
Plant operations and maintenance	361,284
Food services	54,077
Total governmental activities depreciation expense	$ 1,614,210

In response to GASB Statement No. 34, the Virginia General Assembly passed a law that establishes local option of creating, for financial reporting purposes, a tenancy in common between the city and the local school board when a city issues bonds for financing school construction. The sole purpose of the law is to allow cities and counties the ability to match the recording of school assets and related liabilities. As a result, certain school assets financed with the City's general obligation bonds are recorded as part of the primary government rather than as part of ACPS. According to the law, the tenancy in common ends when the associated general obligation bonds are repaid; at which time, the assets will revert to the ACPS. Capital debt financing activities are only reported in the City's financial statements. As of June 30, 2015, the City holds approximately $281.2 million in gross assets used by ACPS. No capital assets reverted to ACPS in 2015.

Capital outlays are reported as expenditures in the governmental funds; however, in the statement of activities, the cost of capital assets is allocated over their useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements is summarized as follows:

Capital outlay	$ 4,166,558
Other assets	345,671
Depreciation expense	(1,614,210)
Capital outlay not capitalizable	(2,702,003)
Total adjustments	$ 196,016

NOTE 6. Lease Obligations

Operating Leases

ACPS leases office equipment and office space under various long-term leases expiring at various dates. Certain leases contain provisions for possible future increased rentals based on changes in the Consumer Price Index. Total costs for such leases were $4.47 million for the year ended June 30, 2015.

During September 2013, ACPS signed a 15 year lease agreement to relocate the central office and various other ACPS departments. The original lease began June 1, 2014 and was amended to begin April 21, 2014. This lease includes a 16.8 month rent abatement period. The period of rent abatement is from April 21, 2014 to September 15, 2015 and the value of the abatement is approximately $2.91 million. The rent abatement will be amortized over the life of the lease. Total future minimum payments for this lease are included in the schedule of minimum lease payments below.

Scheduled minimum lease payments for succeeding fiscal years ending June 30 are as follows:

Fiscal Year	Real Estate	Equipment
2016	$ 2,241,863	$ 737,336
2017	2,807,098	-
2018	2,884,486	-
2019	2,964,097	-
2020	2,944,354	-
Thereafter	27,869,595	-
Total	$ 41,711,494	$ 737,336

In July 2014, ACPS signed a noncancelable three year capital lease for 4,471 computer tablets with Amplify Education Inc. (Amplify). This lease called for payments totaling $2.20 million over the life of the lease. During fiscal year 2015, ACPS and Amplify mutually agreed to terminate this agreement. The payments made to Amplify during the fiscal year totaled $0.8 million and were recorded as operating lease payments.

NOTE 7. Retirement Plans

ACPS participates in three public employee retirement systems (PERS). Two of these systems, a cost-sharing multiple-employer plan (professional) and an agent multiple-employer plan (non-professional), are administered by the Virginia Retirement System (VRS) and are, therefore, not reflected as ACPS pension trust funds. The third plan, Employees' Supplemental Retirement Plan (Supplemental Plan), is a single-employer defined benefit plan, where a stated methodology for determining pension benefits is provided. This plan is part of ACPS' reporting entity and, as such, is reflected as a Pension Trust Fund.

The actuarial valuation for the Supplemental Plan is performed annually. The actuarial valuation for VRS is performed biennially; however, an actuarial update is performed in the interim year.

In the Supplemental Plan, no changes occurred in the actuarial valuation assumptions, plan benefits, actuarial cost method or procedures affecting the comparability of costs.

A. Virginia Retirement System

Plan Description

All full-time salaried permanent (professional) employees of Alexandria City Public Schools (ACPS) are automatically covered by the VRS Teacher Retirement Plan upon employment. All full-time salaried permanent employees (non-professional) of ACPS are automatically covered by the VRS Political Subdivision Retirement Plan. These plans are administered by the Virginia Retirement System (The System or VRS) along with plans for other employer groups in the commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees in the VRS Teacher Retirement Plan and VRS Political Subdivision Retirement Plan – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the following table.

VRS Plan 1	VRS Plan 2	VRS Hybrid Retirement Plan
About Plan 1 Plan 1 is a defined benefit plan. The Retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010 and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at Retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1,2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members"). The defined benefit is based on member's age, creditable service and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010 and they were vested as of January 1, 2013 **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Political Subdivision Plan Only: Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Political Subdivision Plan Only: Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: Political subdivision employees* Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: Political Subdivision employees who are covered by enhanced benefits for hazardous duty employees Those employees eligible for an optional retirement plan (ORP) must elect the Hybrid retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

VRS Plan 1	VRS Plan 2	VRS Hybrid Retirement Plan
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax –deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in their required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **<u>Defined Benefit Component:</u>** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five year (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make	**Vesting** Same as Plan 1.	**Vesting** **<u>Defined Benefit Component</u>** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

VRS Plan 1	VRS Plan 2	VRS Hybrid Retirement Plan
		<u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years a member is 50% vested and may withdraw 50% of employer contributions After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70 ½.
Calculating the Benefit The Basic Benefit is calculated based on formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** <u>Defined Benefit Component:</u> See definition under Plan 1 The benefit is based on contributions made by the member and any matching contributions made by the member made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

VRS Plan 1	VRS Plan 2	VRS Hybrid Retirement Plan
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The Retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85% Political Subdivision hazardous duty employees: the retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85% Political Subdivision hazardous duty employees: the retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer. **Political Subdivisions hazardous duty employees:** Age 60 **Normal Retirement Age** **VRS:** Normal Social Security retirement age.	**Service Retirement Multiplier** **<u>Defined Benefit Component:</u>** **VRS:** the retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political Subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Not applicable.
Normal Retirement Age **VRS:** Age 65. **Political Subdivisions hazardous duty employees:** Age 60.	**Normal Retirement Age** **VRS:** Age 65. **Political Subdivisions hazardous duty employees:** Age 60.	**Normal Retirement Age** **<u>Defined Benefit Component:</u>** **VRS:** Same as Plan 2. **Political Subdivisions hazardous duty employees:** Not applicable. **<u>Defined Contribution Component</u>:** Members are eligible to receive distributions upon leaving employment, subject to restrictions,
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. **Political subdivisions hazardous duty employees**: Age 60 with at last five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees**: Age 60 with at last five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility** **<u>Defined Benefit Component:</u>** **VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees**: Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) if creditable service or age 50 with at least 10 years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 55 with at least five years (60 months) if creditable service or age 50 with at least 10 years of creditable service.	**Earliest Unreduced Retirement Eligibility** **<u>Defined Benefit Component</u>:** **VRS:** Any Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) or creditable service.

VRS Plan 1	VRS Plan 2	VRS Hybrid Retirement Plan
Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.	**Political subdivisions hazardous duty employees**: 50 with at least five years of creditable service.	**Political subdivisions hazardous duty employees**: Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following unreduced retirement eligibility date. **<u>Exceptions to COLA Effective Dates:</u>** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act of the Transitional Benefits Program.	**Cost-of Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following unreduced retirement eligibility date. **<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **<u>Defined Benefit Component:</u>** Same as Plan 2. **<u>Defined Contribution component:</u>** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2. **<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1.

VRS Plan 1	VRS Plan 2	VRS Hybrid Retirement Plan
• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.		
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** Employees of political subdivision (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **<u>Defined Benefit component:</u>** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. **Defined Contribution Component**: Not applicable.

VRS Political Subdivision Retirement Plan

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Count
Inactive members or their beneficiaries currently receiving benefits	193
Inactive members:	
Vested inactive members	27
Non-vested Inactive Members	90
Inactive members active elsewhere in VRS	29
Total Inactive Members	**339**
Active Members	**263**
Total Covered Employees	**602**

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation towards their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount increase in the employee-paid member contribution.

ACPS' contractually required contribution rate for the year ended June 30, 2015 was 5.64% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 3013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from ACPS were $0.8 million each for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

ACPS' net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions- General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions	
Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent – 5.95 percent
Investment rate of return	7.0 Percent, net of pension plan investment expense, including inflation*
Mortality rates:	14% of deaths are assumed to be service related
Largest 10- Non-LEOS:	
- Pre-Retirement	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.
- Post-Retirement	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
- Post-Disablement	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.
All Others (non 10 Largest) Non-LEOS:	
- Pre-Retirement	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.
- Post-Retirement	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
- Post-Disablement	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement
* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.	

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10-Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest)-Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of the expected future real rates of return(expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		(1) Expected arithmetic nominal return	8.33%

(1) Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made in accordance with the rates adopted by VRS funding policy at rates equal to difference between actuarially determined contribution rates adopted by VRS Board of Trustees and member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase(Decrease)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability (Asset)**
Balances at June 30, 2013	$ 38,758,599	$ 38,845,710	$ (87,111)
Changes for the year:			
Service Cost	796,338	-	796,338
Interest	2,642,578	-	2,642,578
Differences between expected and actual experience	-	-	-
Contributions - employer	-	410,609	(410,609)
Contributions - employee	-	379,449	(379,449)
Net investment income	-	6,037,662	(6,037,662)
Benefit payments, including refunds of employee contributions	(2,014,957)	(2,014,957)	-
Administrative expenses	-	(33,280)	33,280
Other changes	-	319	(319)
Net changes	1,423,959	4,779,802	(3,355,843)
Balances at June 30, 2014	$ 40,182,558	$ 43,625,512	$ (3,442,954)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of ACPS using the discount rate of 7%, as well as, what ACPS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate:

	(-1%) Decrease 6.00%	**Current Discount Rate** 7.00%	**(+1%) Increase** 8.00%
Net Pension Liability (Asset)	$ 1,220,443	$ (3,442,954)	$ (7,372,125)

Pension Expense and Deferred outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, ACPS recognized pension expense of ($0.26 million). As of June 30, 2015, ACPS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 2,689,990
Employer contributions subsequent to the measurement date	428,373	-
Differences between expected and actual experience	-	-
Change in assumptions	-	-
Total	$ 428,373	$ 2,689,990

The $0.4 million reported as deferred outflows of resources related to pensions resulting from ACPS's contributions subsequent to the measurement date will be recognized as a reduction of Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows

Year Ending June 30	
2016	$ (672,497)
2017	(672,497)
2018	(672,497)
2019	(672,499)
Thereafter	-
	$ (2,689,990)

Payables to the Pension Plan

At June 30, 2015, ACPS reported payables to the VRS Political Subdivision Retirement Plan of $0.1 million. These payables are reflected in the balance sheet of the governmental funds and represent short-term amounts due for legally required contributions outstanding at the end of the fiscal year.

<u>VRS Teachers Retirement Plan</u>

Contributions

The contribution requirement for active employees is governed by Title 51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school division by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contributions may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to beginning making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provision of title 51.1-145 of the Code of Virginia, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from ACPS were $25.7 million and $21. 2 million for the years ended June 30, 2015 and June 30, 2014, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, ACPS reported a liability of $214 million for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. ACPS' proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was 1.77072% as compared to 1.82219% at June 30, 2013.

For the year ended June 30, 2015, ACPS recognized pension expense of $15,645,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2015, ACPS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Net difference between projected and actual earnings on pension plan investments	$ -	$ 31,758,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	5,808,000
Differences between expected and actual experience	-	-
Change in assumptions	-	-
Employer contributions subsequent to the measurement date	18,953,112	-
Total	$ 18,953,112	$ 37,566,000

The deferred outflows of resources of $19.0 million related to pensions, resulting from the school division's contributions subsequent to the measurement date, will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2016	$ (9,221,000)
2017	(9,221,000)
2018	(9,221,000)
2019	(9,221,000)
Thereafter	(682,000)
	$ (37,566,000)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30,2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions	
Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent – 5.95 percent
Investment rate of return	7.0 Percent, net of pension plan investment expense, including inflation*
Mortality rates:	
Pre-Retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females were set back 5 years.
Post-Retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females were set back 3 years.
Post-Disablement:	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement
* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.	

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012.

Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

Long – Term Expected Rate of Return

The long-term expected rate of return on pension System investments were determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		(1) Expected arithmetic nominal return	8.33%

(1) Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means that is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate
The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by ACPS for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability

Sensitivity of the School Division's Proportionate share of the Net Pension Liability to Changes in the Discount Rate
The following presents ACPS' proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	(-1%) Decrease 6.00%	Current Discount Rate 7.00%	(+1%) Increase 8.00%
ACPS' proportionate share of VRS Teacher Plan Net Pension Liability	$ 314,218,000	$ 213,986,000	$ 131,463,000

Pension Plan Fiduciary Net Position
Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf, System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500

Payables to the Pension Plan
At June 30, 2015, ACPS reported payables to the VRS Teacher Retirement Plan of $5.6 million. These payables are reflected in the balance sheet of the governmental funds and represent short-term amounts due for legally required contributions outstanding at the end of the fiscal year.

B. Employees' Supplemental Retirement Plan

Plan Description
The Employees' Supplemental Retirement Plan (the Plan) is a single-employer defined benefit plan sponsored by ACPS. The Plan is governed by the Alexandria School Board (Board) which has the authority to make all investment and policy decisions impacting the Plan's existence, investments, benefits, and administration. The Board has established an Investment Advisory Board (Advisory Board) to monitor and manage the Plan. The Advisory Board consist of five members: 1) the Plan

Administrator/ ACPS Chief Human Resource Officer; 2) the Plan Investment Officer/ ACPS Chief Financial Officer; 3) one teacher member selected from among active employee participants; 4) one retired member actively earning benefits from the plan; and 5) one certified investment management professional. The Board has contracted with the Principal Financial Group to manage certain plan assets and administer the retirement benefits to the plan participants.

The purpose of the Plan is to provide supplemental retirement benefits to employees of Alexandria City Public Schools. Statutory authority for the establishment of this Plan is provided by the Code of Virginia §51.1-800 through §51.1-803.

All full-time employees are eligible to participate in the Plan as of July 1, 1961, if classified as a twelve month employee. Ten-month employees were eligible to participate in the Plan as of July 1, 1971. The Plan's fiscal year end is August 31. For purposes of implementing GASB No. 68, Accounting and Financial Reporting for Pension Plans, the measurement period of 09/01/2013 to 08/31/2014 has been used for the plan year ending 08/31/2014. The net pension liability reported for period ending 08/31/2014 was measured as of 08/31/2014, using the total pension liability that was determined by an actuarial valuation as 08/31/2014.

The Plan's policy is to prepare its financial statements on the accrual basis of accounting. The Plan does not issue a separate, publicly-available financial report.

Measurement Date
A measurement date of August 31, 2014 has been used for GASB 68 reporting.

Benefits provided
The Plan provides disability and death benefits. Benefits at retirement are based upon years of service and the average earnable compensation of an eligible employee during any three years that provide the highest average earnable compensation and are adjusted for inflation after retirement. Benefits at early retirement are reduced by an early retirement factor. Employees are considered vested on or after completing five years of service, or on or after attaining age 60. Employees who retire at or after age 65 or after age 50 with 30 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 0.40 percent of effective compensation multiplied by credited future service on and after September 1, 1984, and 1.625 percent of effective compensation not to exceed $100 plus 0.25 percent of the amount by which effective compensation exceeds $100 multiplied by credited past service before September 1, 1984, and 1.625 percent of past service compensation in excess of $100 plus 0.25 percent of past service compensation in excess of $100 times credited past service. There have been no changes in plan provisions during the measurable period.

Contributions
Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment has been made to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The funding policy of the Plan provides for monthly contributions at actuarially-determined rates, which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the cost of all basic benefits when due. The basis for determining contributions is an actuarially determined contribution rate that is calculated each year in the Plan's actuarial valuation report. Starting January 2013, contributions were made at the rate of 1.50% of covered payroll. During FY 2015, only ACPS employees contributed to the Plan. These contributions totaled $2,209,947 for the fiscal year ended June 30, 2015. Administrative costs of the Plan are paid from the Plan's assets.

Investment policy

The objective of the Plan is to maintain actuarial soundness so that funds will be available to meet contractual benefit obligations. The investment policy may be amended by the Board at any time. Principal Financial Advisors, Inc., a registered investment advisor and wholly-owned subsidiary of Principal Financial Group, has been hired to manage the asset allocation strategy for the Plan. The following was the Plan's adopted asset allocation policy as of August 31, 2014.

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Expected Geometric Return
U.S Equity - Large Cap	27.30%	8.80%	7.45%
U.S Equity - Mid Cap	3.12%	9.10%	7.45%
U.S Equity - Small Cap	3.17%	9.55%	7.45%
Non-US Equity	9.97%	9.20%	7.45%
REITs	1.00%	8.35%	6.55%
Real Estate	5.33%	6.30%	5.95%
TIPS	1.50%	4.10%	3.90%
Core Bond	43.53%	4.25%	4.15%
High Yield	5.08%	6.30%	5.90%
Total	100.00%		

Exp LTROA (arithmetic mean)	6.56%
Portfolio Standard Deviation	8.51%
Expected Compound Return	6.22%
Portfolio Investment Mix:	Equity 44%/Fixed Income 50%/Other 6%

Concentrations

As of the measurement date, the plan had investments (other than US Government and US Government guaranteed obligations) in only Principal Financial Group, totaling $118.6 million, that represented 5 percent or more of the Plan's fiduciary net position.

Annual Money-Weighted Rate of Return

For the Plan year ended August 31, 2014, the annual money-weighted rate of return on plan investments for the measurement period is 12.79%. The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the timing and amount of cash flows. This return is calculated net of investment expenses.

Long-Term Expected Rate of Return

For the plan year ending August 31, 2014, the expected long-term rate of return assumption is 6.5%. The long-term interest rate assumption was developed as a weighted average rate based on the target asset allocation of the plan using the long-term capital market assumption. The overall return for each asset class was developed by combining a long-term inflation component and the associated expected real rates. The development of the capital market assumptions utilized a variety of methodologies, including, but not limited to, historical analysis, stock valuation models such as dividend discount models and earning yields' models, expected economic growth outlook, and market yields analysis.

Actuarial Assumptions
The actuarial assumptions used in the August 31, 2014 valuation were based upon the results of an actuarial assumption review for the five-year period of September 1, 2007 to August 31, 2012.

MEMBERSHIP AND PLAN PROVISIONS (Employees' Supplemental)

Active plan members	2,041
Retirees and beneficiaries currently receiving benefits	1,170
Terminated employees entitled to but not receiving benefits	887
Total	4,098
Normal retirement age	65 years
Benefits age	50 yrs (+30 yrs of service)
Benefits vesting years	5 years
Disability and death benefits	Yes

SIGNIFICANT ACTUARIAL ASSUMPTIONS

Long-term rate of return	6.50%
Discount rate	6.50%
Projected salary increase attributed to:	
Inflation	2.25%
Seniority /merit	4.88-8.10%
Retirement increases	-
Actuarial cost method	Entry Age Normal actuarial cost method
Open/closed	Open
Remaining amortization period	18 years
Asset valuation method	Contract Basis
Mortality - Pre-retirement	RP2000 Combined health mortality (male/female)
Mortality - Post-reretirement	RP2000 Combined health mortality (male/female)

PERCENTAGE OF COVERED PAYROLL CONTRIBUTION

Employer contribution percentage	0.00%
Employee contribution percentage	1.50%
Employee contribution, during the measurement period	$ 2,171,044
Employer contribution	-
Total amount contributed	$ 2,171,044
Covered payroll (Annual member compensation)	$ 144,933,919
Legally-required reserves	None
Long-term contribution contracts	None

Projected Cash Flows

Projected cash flows are based upon the underlying assumptions used in the development of the accounting liabilities.

Discount Rate

The discount rate is a single rate that incorporates the long-term rate of return assumption. The long-term rate of return assumption was applied to the projected benefit payments from 2014 to 2111. Benefit payments after 2111 are projected to be $0.00.

Net Pension Liability

The net pension liability reported for ACPS fiscal year end of June 30, 2015 was measured as of August 31, 2014, using the total pension liability that was determined by an actuarial valuation as of August 31, 2014.

Changes in Net Pension Liability

	Increase(Decrease)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability (Asset)**
Balances at August 31, 2013	$ 96,243,919	$ 108,598,730	$ (12,354,811)
Changes for the year			
Service Cost	2,462,314	-	2,462,314
Interest	6,230,254	-	6,230,254
Differences between expected and actual experience	(462,326)	-	(462,326)
Contributions - employer	-	-	-
Contributions - employee	-	2,171,044	(2,171,044)
Net investment income	-	13,644,193	(13,644,193)
Benefit payments, including refunds of employe contributions	(5,712,337)	(5,712,337)	-
Administrative expenses	-	(111,595)	111,595
Other changes	-	-	-
Net changes	2,517,905	9,991,305	(7,473,400)
Balances at August 31, 2014	$ 98,761,824	$ 118,590,035	$ (19,828,211)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Employees' Supplemental Retirement Plan using the discount rate of 6.5%, as well as what the pension net pension liability would be if it was calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate.

	(-1%) Decrease 5.50%	**Current Discount Rate** 6.50%	**(+1%) Increase** 7.50%
Net Pension Liability (Asset)	$ (7,262,945)	$ (19,828,211)	$ (30,275,957)

Pension Expense and Deferred outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Employees' Supplemental Retirement Plan pension expense for the fiscal year ended June 30, 2015 is ($2,110,204). For the year ended June 30, 2015, ACPS reported deferred inflows of resources related to pensions for this Plan from the following sources:

	Deferred Inflows of Resources
Differences between expected and actual experience	$ -
Change in assumptions	-
Net difference between projected and actual earnings on pension plan investments	(5,363,196)
Employer contributions subsequent to the measurement date	-
Total	$ (5,363,196)

The $5.36 million reported as deferred inflows of resources related to pensions resulted from net differences between expected and net investment income. There were no deferred outflows of resources for this Plan.

Amounts reported as deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year Ending June 30,	
2016	$ (1,340,799)
2017	(1,340,799)
2018	(1,340,799)
2019	(1,340,799)
Thereafter	-
Total	$ (5,363,196)

Payables to the Pension Plan

At June 30, 2015, ACPS reported payables to the Employees' Supplemental Retirement Plan of $0.3 million. These payables are reflected in the balance sheet of the governmental funds and represent short-term amounts due for employee contributions outstanding at the end of the fiscal year.

The following is a summary of fiduciary net position of the Plan as of June 30, 2015.

Summary of Fiduciary Net Position
Employees' Supplementary Retirement Plan
As of June 30, 2015

ASSETS	
Bonds	$ 56,454,050
Mutual Funds	36,523,468
Other Investments	24,081,653
Accounts Receivable	183,447
Total assets	117,242,618
LIABILITIES	
Accounts Payable	-
Total liabilities	-
NET POSITION	
Held in trust for pension benefits	$ 117,242,618

The following is a summary of changes in fiduciary net position of the Plan for the year ended June 30, 2015.

Summary of Changes in Fiduciary Net Position
Employees' Supplementary Retirement Plan
For the Year Ended June 30, 2015

ADDITIONS	
Contributions	$ 2,208,146
Investment Income	2,821,752
Total Additions	5,029,898
DEDUCTIONS	
Benefit payments	5,850,321
Administrative expenses	156,738
Total Deductions	6,007,059
Change in net position	(977,161)
NET POSITION, beginning of year	118,219,779
NET POSITION, end of year	$ 117,242,618

NOTE 8. Other Post Employment Benefits (OPEB)

Plan Description

The School Board administers a single-employer defined benefits healthcare plan. It provides medical insurance benefits to eligible retired school employees and beneficiaries. In May 2009, the School Board authorized the establishment of a trust for the purpose of accumulating and investing assets to fund Other Postemployment Benefits.

ACPS invests the OPEB Trust Fund's assets with the Virginia Pooled OPEB Trust Fund (Pooled Trust) sponsored by the Virginia Association of Counties and the Virginia Municipal League (VACo/VML). The Pooled Trust is an investment pooling vehicle created to allow participating local governments, school divisions, and authorities in the State to accumulate and invest assets to fund other post-employment benefits. Funds of participating jurisdictions are pooled and invested in the name of the Pooled Trust. ACPS' respective shares in the Pooled Trust are reported in the OPEB Trust Fund's financial statements. Investment decisions are made by the Board of Trustees (Board) of the Pooled Trust.

Participants in the ACPS Plan must meet the eligibility requirements based on service earned with ACPS and prior service earned from other Virginia agencies to be eligible to receive benefits upon retirement. Participants who do not retire directly from active service are not eligible for the benefits. In addition, participants must meet one of the following criteria:

- Attained the age of 50 with at least 30 years of service for unreduced pension retirement benefits.
- Attained the age of 50 with at least 10 years of service for reduced pension retirement benefits.
- Attained the age of 65 with at least 5 years of service.

Program participants may continue medical coverage by paying the appropriate subsidized premium which range from $0.00 to $1,975.58 based on the medical plan under which the retiree is covered. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the program on average than those of active employees. The subsidies in this program are accounted for in the ACPS OPEB Trust Fund. In FY 2015, ACPS contributed up to $265.00 for each participant.

For employees hired after July 1, 2008, the following requirements must be met:

- Non-Medicare eligible retirees and spouses (Under age 65) - The retiree must complete 5 years of vesting service with ACPS to receive a contribution. ACPS contributes a pro-rated amount of $265.00 equal to 5% per year of service with ACPS (including the 5 vesting years) and other VRS employers for retiree medical coverage. A maximum of 20 years of service will be credited toward the contribution made by ACPS. The retiree and spouse/dependent pay the remainder of the premium.

- Medicare eligible retirees and spouses (Age 65+) – The retiree must complete 5 years of vesting service with ACPS to receive a contribution. ACPS contributes a pro-rated amount of $265.00 equal to 5 % per year of service with ACPS (including the 5 vesting years) and other VRS employers for retiree medical coverage. A maximum of 20 years of service will be credited toward the contribution made by ACPS. The contribution will not exceed the premium for the elected coverage. The retiree and spouse/dependent pay the remainder of the premium.

At January 1, 2014, the date of the most recent actuarial valuation, plan membership consisted of:

Retirees and spouses	527
Active plan members	2,208
Total	2,735

The ACPS OPEB Trust does not issue a stand-alone financial report and is not included in the report of another entity.

The following is a summary of fiduciary net position of the ACPS OPEB Trust as of June 30, 2015:

Summary of Fiduciary Net Position
ACPS Other Post Employment Benefits Trust
As of June 30, 2015

ASSETS	
Bonds	$ 3,177,765
Mutual Funds	6,665,227
Other Investments	3,622,113
Total assets	13,465,105
LIABILITIES	
Accounts Payable	-
Total liabilities	-
NET POSITION	
Held in trust for pension benefits	$ 13,465,105

The following is a summary of the changes in fiduciary position of the ACPS OPEB Trust as of June 30, 2015:

Summary of Changes in Fiduciary Net Position
ACPS Other Post Employment Benefits Trust
For the Year Ended June 30, 2015

ADDITIONS	
Contributions	$ 4,031,782
Investment Income	243,201
Total Additions	4,274,983
DEDUCTIONS	
Benefit payments	1,332,547
Administrative expenses	13,007
Total Deductions	1,345,554
Change in net position	2,929,429
NET POSITION, beginning of year	10,535,676
NET POSITION, end of year	$ 13,465,105

Funding Policy

Contribution requirements of ACPS are established and may be amended by the Board. The required contributions were actuarially-determined and are based upon projected pay-as-you go financing requirements with additional amount to prefund benefits. The costs of administering the plan are paid for by the OPEB Trust Fund through the use of investment income and employer contributions. For the period ending June 30, 2015, ACPS contributed $1.33 million for current costs and an additional $2.7 million to prefund benefits.

Annual OPEB Cost

ACPS' annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially-determined in accordance with the parameters of GASB statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB Statement No. 45 requires recognition of the current program expense based on each ARC, but it does not require funding of the related liability. The current ARC rate is 1.35% of annual covered payroll. The following table shows the components of ACPS' annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation.

Calculation of Net OPEB Obligation (NOO)

Annual Required Contributions (ARC)	$	2,007,918
Interest on Net OPEB Obligation		16,768
Adjustment to Annual Required Contribution		(18,661)
Annual OPEB Cost	$	2,006,025
Contributions made		4,031,782
Decrease in net OPEB obligation	$	(2,025,757)
Net OPEB obligation -July 1, 2014		239,536
Net OPEB obligation (asset) -June 30, 2015	$	(1,786,221)

Trend Information

ACPS' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the three year period ended June 30, 2015 were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2015	$2,006,025	201.0%	($1,786,221)
June 30, 2014	$2,024,592	129.7%	$239,536
June 30, 2013	$1,796,093	160.1%	$840,056

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially-determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal contractual funding limitations of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective and, consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The January 1, 2015 actuarial valuation reflects a roll forward actuarial technique from the January 1, 2014 report. In this report, the projected unit credit method was used. The actuarial assumptions reflect an increase in investment rate of return (net of administrative expenses) from 6.0% to 7.0%. The actuarial assumptions also include an annual health care cost trend rate of 8.5% and 6.0% initially, for non-medicare eligible and medicare eligible claims, respectively, reduced by decrements to an ultimate rate of medical inflation of 4.0%. Unfunded actuarial accrued liability is being amortized as an open level dollar amount over a period of 30 years.

Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $24.63 million and the actuarial value of assets was $10.53 million, resulting in an unfunded actuarial accrued liability (UAAL) of $14.10 million. The covered payroll of active participating employees was $148.30 million and the ratio of the UAAL to covered payroll was 9.51%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 9. Long-term Liabilities

The change in long-term liabilities within the government-wide financial statements during the year consists of the following:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amount Due Within One Year
Compensated absences	$ 7,578,758	$ 10,466,028	$ (10,181,009)	$ 7,863,777	$ 1,255,804
Workers' Compensation Claims	1,037,123	673,371	(802,370)	908,124	635,687
Rent Abatement Accrual	402,793	2,074,472	-	2,477,265	-
Total	$ 9,018,674	$ 13,213,871	$ (10,983,379)	$ 11,249,166	$ 1,891,491

Under the modified accrual basis of accounting used in the fund financial statements for the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. For compensated absences, the General Fund reflects a liability of $825,966 for amounts due to terminated or retired employees as of June 30, 2015. In the government-wide statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. See Note 6 for an explanation of the Rent Abatement Accrual. The adjustment from modified accrual to full accrual is composed of the items in the table below.

Compensated Absences, long-term increase	$ 131,654
Compensated Absences, current decrease	(226,093)
Workers' Compensation	(38,700)
Total	$ (133,139)

The General Fund is used to liquidate the long-term liabilities for compensated absences, capital leases, and workers compensation. The General Fund and Health Benefits Fund were used to liquidate the long-term liability for the net of OPEB obligation.

NOTE 10. Risk Management

ACPS is exposed to various losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of ACPS to retain risks of losses in those areas where it believes it is more economical to manage risks internally and account for any claims settlement in the General Fund.

ACPS carries commercial insurance on all other risks of loss, including property, theft, auto liability, physical damage and general liability insurance through the Virginia Municipal League. Settled claims resulting from these risks have not exceeded commercial reinsurance coverage for the past three years. There were no material reductions in insurance coverage from coverage in the prior fiscal year nor did settlements exceed coverage for any of the past three fiscal years. ACPS also carries catastrophic medical insurance for Virginia High School League Student participants.

Self-Insurance

ACPS is self-insured for workers' compensation. Claims are processed by a third-party administrator under contract with ACPS per statutory requirements of the Virginia Workers' Compensation Act. The current portion is recorded as an accrued liability in the General Fund and the government-wide financial statements. There were no material reductions in insurance coverage from the prior fiscal year nor did settlements exceed coverage for any of the past three fiscal years.

In July 2013, ACPS established a Health Benefits Fund to better manage health care expenses within ACPS. ACPS offers several health insurance programs to employees and retirees. Medical insurance is offered through Kaiser Permanente and an ACPS self-insured plan, administered by United Healthcare. Dental and vision care are also offered to employees and retirees.

This fund was established by transferring all healthcare insurance account balances from the General Fund into the Health Benefits Fund, including the liability for estimated healthcare claims that have been incurred but not reported. The amount of expenditures did not exceed funds that are available to pay the claims.

Liabilities for workers compensation and self-insured health plan are reported when it is probable that losses have occurred and the amounts of the losses can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported to date. Liabilities are determined using a combination of actual historical claims experience and actuarially determined amounts and include incremental claim adjustment expenses and estimated recoveries. ACPS uses independent contractors to process workers compensation and health claims and records a provision and liability in the government-wide statements and General Fund (current portion only) which includes an estimate of incurred but not reported claims.

Exceptions to the self-insurance program are made when insurance coverage is available and when premiums are cost effective.

Changes in the estimated claims payable for worker's compensation and self-insured health plan during the fiscal years ended June 30, 2015 and 2014 were as follows:

	IBNR Accrual (Health Benefits Fund)	Workers Compensation (General Fund)
Liability Balances, July 1, 2013	$ -	$ 395,559
Claims and changes in estimates	22,110,417	1,675,011
Claims payments	(21,076,451)	(1,033,447)
Liability Balances, June 30, 2014	1,033,966	1,037,123
Claims and changes in estimates	12,837,050	673,371
Claims payments	(12,914,943)	(802,370)
Liability Balances, June 30, 2015	$ 956,073	$ 908,124
Due Within One Year	$ 956,073	$ 635,687

NOTE 11. Contingent Liabilities

ACPS receives financial assistance from numerous federal, state and local government agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements. Certain expenditures of these funds are subject to audit by the grantors. ACPS is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of management, no material refunds (if any) will be required as a result of expenditures disallowed by the grantor agencies.

NOTE 12. Fund Balance Disclosure

The constraints placed upon fund balance for the governmental funds are presented below: ACPS' governmental fund balances, as of June 30, 2015, were classified as follows:

Governmental Fund Balances

	General	Capital Projects	Grants and Special Projects	School Nutrition
FUND BALANCES:				
Nonspendable:				
Prepaid Items	$ 878,714	$ -	$ -	$ 2,329
Inventories	-	-	-	200,565
Total Nonspendable	878,714	-	-	202,894
Spendable				
Restricted for:				
Grant Funded Programs	-	-	1,964,980	-
Total Restricted	-	-	1,964,980	-
Committed for:				
Subsequent Year Fund Balance	3,260,150	-	-	-
Total Committed	3,260,150	-	-	-
Assigned for:				
School/Department Programs	1,309,039	892,476	-	-
School Nutrition Program	-	-	-	3,840,102
Total Assigned	1,309,039	892,476	-	3,840,102
Unassigned:				
Unassigned	6,996,799	-	-	-
Total Unassigned	6,996,799	-	-	-
TOTAL FUND BALANCES	**$ 12,444,702**	**$ 892,476**	**$ 1,964,980**	**$ 4,042,996**

NOTE 13. Restatement of Net Position

ACPS adopted GASB Statement No. 68, Accounting and Financial Reporting for Pension Plans, an amendment of GASB Statement No. 27, which improves accounting and financial reporting by state and local government employers whose employees are provided benefits through pensions. This pronouncement requires ACPS to record a liability for future pension benefits in excess of accumulated plan contributions.

This pronouncement also requires the restatement of ACPS' July 1, 2014, net position of governmental activities as follows:

Net position, July 1, 2014, as previously stated	$ 38,731,043
Eliminate Net Pension Asset recorded under GASB 27	(3,712,331)
Cumulative affect of application of GASB 68, net pension asset	12,441,922
Cumulative affect of application of GASB 68, net pension liability	(251,023,000)
Cumulative affect of application of GASB 71, deferred outflow of resources for Board contributions made to the plan during the fiscal year ending June 30, 2014	15,509,533
Net position, July 1, 2014, as restated	$ (188,052,833)

ACPS
Alexandria City Public Schools

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REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

The Required Supplementary Information subsection includes:

- Budgetary comparison schedule for the General Fund
- Budgetary comparison schedule for the Grants and Special Projects Fund
- Budgetary comparison schedule for the School Nutrition Fund
- Schedule of funding progress for the VRS pension and other employee benefit trust funds
- Schedule of employer contributions for the pension and other employee benefit trust funds

Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

ACPS' goal #4
Facilities and the Learning Environment: ACPS will provide optimal and equitable learning environments.

Exhibit IX

Alexandria City Public Schools, Virginia
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2015

	Budget			Variance from Final Budget
	Original	Final	Actual	Positive/(Negative)
Revenues				
Intergovernmental:				
City of Alexandria	191,811,472	191,811,472	191,811,472	$ -
State aid	35,319,779	35,319,779	35,999,443	679,664
Federal aid	90,000	90,000	119,442	29,442
Tuition and fees	585,387	585,387	377,266	(208,121)
Other local funds	564,942	564,941	591,989	27,048
Total Revenues	228,371,580	228,371,579	228,899,612	528,033
Expenditures				
Current:				
General instruction	177,753,525	178,100,468	175,227,630	2,872,838
Adult education	668,346	654,693	601,066	53,627
Summer school and kindergarten prep	717,263	881,937	792,906	89,031
Administration	19,769,371	19,879,174	17,852,481	2,026,693
Attendance and health services	6,108,795	6,116,107	5,931,838	184,269
Pupil transportation	9,697,601	10,076,448	10,049,673	26,775
Plants operations and maintenance	19,779,581	19,911,926	18,769,541	1,142,385
Food services	798,117	752,489	674,023	78,466
Total Expenditures	235,292,599	236,373,242	229,899,158	6,474,084
Excess (deficiency) of revenue over (under) expenditures	(6,921,019)	(8,001,663)	(999,546)	7,002,117
Other Financing Sources (Uses)				
Transfers In	3,645,949	3,645,949	3,645,949	-
Transfers Out	(1,290,871)	(1,290,871)	(1,228,687)	62,184
Total Other Financing Sources and (Uses), net	2,355,078	2,355,078	2,417,262	62,184
Excess (deficiency) of revenue over (under) expenditures and other financing sources (uses)	$ (4,565,941)	$ (5,646,585)	1,417,716	$ 7,064,301
Fund Balance-July 1, 2014			11,026,986	
Fund Balances-June 30, 2015			$ 12,444,702	

See accompanying note to the budgetary comparison schedule.

Exhibit X

Alexandria City Public Schools, Virginia
Budgetary Comparison Schedule
Grants and Special Projects Fund
For the Year Ended June 30, 2015

	Budget			Variance from final budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Intergovernmental:				
City of Alexandria	$ -	$ -	$ -	$ -
State aid	1,452,094	3,242,372	3,265,747	23,375
Federal aid	6,724,634	8,827,300	7,019,342	(1,807,958)
Fees	-	55,040	53,900	(1,140)
Other local revenue	2,589,404	1,076,744	762,907	(313,837)
Total Revenues	10,766,132	13,201,456	11,101,896	(2,099,560)
Expenditures				
Current:				
General instruction	10,716,166	12,864,949	11,113,197	1,751,752
Adult education	284,744	359,708	356,087	3,621
Administration	724,465	738,405	646,520	91,885
Plants operations and maintenance	-	41,668	41,668	-
Attendance and health services	-	7,723	7,465	258
Pupil transportation	-	8,016	1,609	6,407
Food services	20,000	23,945	19,190	4,755
Total Expenditures	11,745,375	14,044,414	12,185,736	1,858,678
Excess (deficiency) of revenue over (under) expenditures	(979,243)	(842,958)	(1,083,840)	(240,882)
Other Financing Sources (Uses)				
Transfers In	1,290,871	1,290,871	1,228,687	(62,184)
Transfers Out	(1,321,317)	(1,321,317)	(1,321,317)	-
Total Other Financing Sources and Uses, net	(30,446)	(30,446)	(92,630)	(62,184)
Excess (deficiency) of revenue over (under) expenditures and other financing sources (uses)	$ (1,009,689)	$ (873,404)	(1,176,470)	$ (303,066)
Fund Balance-July 1, 2014			3,141,450	
Fund Balances-June 30, 2015			$ 1,964,980	

See accompanying note to the budgetary comparison schedule.

Exhibit XI

Alexandria City Public Schools, Virginia
Budgetary Comparison Schedule
School Nutrition Fund
For the Year Ended June 30, 2015

	Budget			Variance from Final Budget
	Original	Final	Actual	Positive/(Negative)
Revenues				
Intergovernmental:				
City of Alexandria	$ -	$ -	$ -	$ -
State aid	132,000	132,000	121,568	(10,432)
Federal aid	5,408,537	5,408,537	5,863,269	454,732
Food Sales	1,557,500	1,557,500	1,572,260	14,760
Other local revenue	29,600	29,600	45,433	15,833
Total Revenues	7,127,637	7,127,637	7,602,530	474,893
Expenditures				
Food services	7,176,687	7,176,797	7,099,390	77,407
Total Expenditures	7,176,687	7,176,797	7,099,390	77,407
Excess (deficiency) of revenues over (under) expenditures	$ (49,050)	$ (49,160)	503,140	$ 552,300
Fund Balance-July 1, 2014			3,539,856	
Fund Balances-June 30, 2015			$ 4,042,996	

See accompanying note to the budgetary comparison schedule.

Exhibit XII

Alexandria City Public Schools, Virginia

Schedule of Funding Progress

Other Employee Benefit Trust Fund

For the Fiscal Year Ended June 30, 2015

Other Post-Employment Benefits

Actuarial Valuation as of	[1] Actuarial Value of Assets	[2] Actuarial Accrued Liability (AAL)*	[3] Unfunded AAL (UAAL) [2-1]	[4] Assets as % of AAL [1/2]	[5] Annual Covered Payroll	[6] UAAL as a Percentage of Covered Payroll [3/5]
1/1/2014	$ 8,877,690	$ 23,730,119	$ 14,852,429	37.41%	$ 143,979,443	10.32%
1/1/2012	4,382,643	18,232,604	13,849,961	24.04%	99,260,162	13.95%
1/1/2011	2,858,322	14,147,966	11,289,644	20.20%	98,855,235	11.42%
1/1/2009 (1)	-	13,460,400	13,460,400	0.00%	88,738,000	15.17%

* Using the Unit Credit Method

(1) The first OPEB actuarial valuation was conducted as of June 30, 2006. There is no data available prior to the first valuation. This will be expanded when information becomes available.

Exhibit XIII-1

Alexandria City Public Schools, Virginia
Required Supplementary Information
Pension and Other Employee Benefit Trust Funds
For the Fiscal year Ended June 30, 2015

Schedule of Employer Contributions
Last 10 Fiscal Years [1]

Date	Actuarially/ Contractually Required Contribution [3]	Contributions in Relation to Actuarially/ Contractually Required Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll [2]	Contributions as a % of Covered Employee Payroll	% of Actual Contributions Contributed
Employees' Supplemental Retirement Plan						
2015	$ 350,409	$ -	$ 350,409	$ 150,273,196	0.00%	0.00%
VRS Political Subdivision Retirement Plan						
2015	$ 510,131	$ 428,373	$ 81,758	$ 9,044,874	4.74%	83.97%
VRS Teacher Retirement Plan						
2015	$ 19,709,680	$ 18,953,112	$ 756,568	$ 140,182,646	13.52%	96.16%

[1] Information is only available for the fiscal year shown. Future years will be added to the schedule.
[2] Covered Employee Payroll is the total compensation for plan participants earned July 1, 2014 to June 30, 2015.
[3] The required contribution shown for the Employees' Supplemental Plan was actuarially determined.

Exhibit XIII-1
(Continued)

Alexandria City Public Schools, Virginia
Required Supplementary Information
Pension and Other Employee Benefit Trust Funds
For the Fiscal year Ended June 30, 2015

Schedule of Employer Contributions

ACPS Other Post-employment Benefit Trust Fund

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
2015	$ 2,007,918	200.8%
2014	$ 2,031,235	129.2%
2013	$ 1,816,372	158.3%
2012	$ 1,963,129	131.2%
2011	$ 1,415,049	219.5%
2010	$ 1,706,791	158.6%

Exhibit XIII-2

Alexandria City Public Schools, Virginia
Required Supplementary Information
Pension and Other Employee Benefit Trust Funds
For the Fiscal year Ended June 30, 2015

Schedule of Changes in Net Pension Liability
Last 10 Fiscal Years [(1)]

Employees' Supplementary Retirement Plan

	2014
Total Pension Liability	
Service costs	$ 2,462,314
Interest	6,243,019
Differences between expected and actual experience	(475,091)
Benefit payments	(5,712,337)
Net Changes in Total Pension Liability	2,517,905
Total Pension Liability, as of 9/01/2013	96,243,919
Total Pension Liability, as of 8/31/2014	$ 98,761,824
Fiduciary Net Position	
Contributions- Employee	$ 2,171,044
Contributions- Employer	-
Net investment income	13,644,193
Benefit payments	(5,712,337)
Administrative expenses	(111,595)
Net Changes in Total Pension Liability	9,991,305
Fiduciary Net Position, as of 9/01/2013	108,598,730
Fiduciary Net Position, as of 8/31/2014	$ 118,590,035
Net Pension Liability (Asset), as of 8/31/2014	$ (19,828,211)
Fiduciary Net Position as a percentage of Total Pension Liability	120.08%
Covered Employee Payroll	144,933,919
Net Pension Liability as a percentage of Covered Payroll	-13.68%

Money-Weighted Rate of Return
Last 10 Fiscal Years [(1)]

	2014
Employees' Supplementary Retirement Plan	12.79%

(1) Information is only available for the current fiscal year. Future years will be added to the schedule.

Exhibit XIII-2
(Continued)

Alexandria City Public Schools, Virginia
Required Supplementary Information
Pension and Other Employee Benefit Trust Funds
For the Fiscal year Ended June 30, 2015

Schedule of Changes in Net Pension Liability
Last 10 Fiscal Years [1]

VRS - Political Subdivision Retirement Plan (Non-Professional)

	2014 [2]
Total Pension Liability	
Service costs	$ 796,338
Interest	2,642,578
Differences between expected and actual experience	-
Benefit payments	(1,965,795)
Refund of Contributions	(49,162)
Net Changes in Total Pension Liability	1,423,959
Total Pension Liability, as of 6/30/2013	38,758,599
Total Pension Liability, as of 6/30/2014	$ 40,182,558
Fiduciary Net Position	
Contributions- Employee	$ 379,449
Contributions- Employer	410,609
Net investment income	6,037,662
Benefit payments	(1,965,795)
Refunds of Contributions	(49,162)
Administrative expenses	(33,280)
Other	319
Net Changes in Total Pension Liability	4,779,802
Fiduciary Net Position, as of 6/30/2013	38,845,710
Fiduciary Net Position, as of 6/30/2014	$ 43,625,512
Net Pension Liability (Asset), as of 6/30/2014	$ (3,442,954)
Fiduciary Net Position as a percentage of Total Pension Liability	108.57%
Covered Employee Payroll	$ 9,403,987
Net Pension Liability as a percentage of Covered Employee Payroll	-36.61%

[1] Information is only available for the current fiscal year. Future years will be added to the schedule.

[2] The Amounts presented have a measurement date of the June 30, 2014

Exhibit XIII-3

Alexandria City Public Schools, Virginia
Required Supplementary Information
Pension and Other Employee Benefit Trust Funds
For the Fiscal year Ended June 30, 2015

Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years [(1)]

VRS Teacher Retirement Plan

	2014 [(2)]
Employer's Proportion of the Net Pension Liability	1.77%
Employer's Proportionate Share of the Net Pension Liability	$ 213,986,000
Employer's Covered-Employee Payroll	$ 137,595,482
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	155.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%

(1) Information is only avaiable for the current fiscal year. Future years will be added to the scheule

(2) The Amounts presented have a measurement date of the June 30, 2014

A. Budgetary information

The following presents the procedures by the School Board in establishing the budgetary data reflected in the financial statements and other budget information:

The Superintendent is required by Section 22.1-92 of the Code of Virginia to prepare, with the approval of the Board, and submit to the City Council a General Fund budget request of the amount needed during the next fiscal year. The Board holds at least two public hearings before it gives final approval for the requested budget. The City Council is also required by City Charter to hold a public hearing on the General Fund budget at which time all interested persons are given an opportunity to comment. The legal level of budgetary control for the General Fund is at the department level (i.e., Office of the Superintendent, Adult Education, Pupil Transportation, Board of Education Office, and the individual schools).

Formal budgetary integration, including encumbrance accounting, is employed as a management control device during the year for governmental funds. The budget is presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedule presents GAAP expenditures. Management is authorized to transfer funds within major categories of expenditure (i.e., administration, instruction, salaries, benefits, etc.) up to $15,000. Transfers in excess of $15,000 require the approval of the superintendent; however, revisions that alter the total expenditures of the General Fund must be approved by the City Council. The legally-adopted budget cannot be exceeded.

B. Pension and Other Employee Benefits

Multiple year trend information for the Employees' Supplemental Retirement Plan, the VRS Teacher Retirement Plan, the VRS Political Subdivision Retirement Plan, as well as Other Post-Employment Benefit (OPEB) Trust Fund is presented as required supplementary information. This information is intended to help users assess the funding status on a going concern basis, and the progress made in accumulating assets to pay benefits when due.

For the OPEB Trust Fund, analysis of the dollar amounts of plan assets actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing plan assets as a percentage of the actuarial accrued liability provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

Trends in the OPEB unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage, the stronger the plan.

For the Employees' Supplemental Retirement Plan, the VRS Teacher Retirement Plan and the VRS Political Subdivision Retirement Plan, the schedule of employer contributions provides a comparison of the actuarially/contractually required contributions with actual contributions. Actuarially/contractually required contributions are also shown as a percentage of covered employee payroll, as well as a percentage of actual contributions made. Covered payroll, as defined in GASB 68, is the total payroll of employees that are provided with pensions through the pension plan, which may or may not be the pensionable payroll for that employee. This is a change from GASB 27's definition of covered payroll, which defined covered payroll as pensionable payroll.

Information pertaining to the Employees' Supplemental Retirement Plan, VRS Teacher and Political Subdivision Plans and the OPEB Trust Fund can be found in notes 7 and 8, respectively, in the notes to the basic financial statements.

C. Retirement Plan Changes of Benefit Terms

There have been no significant changes to the Virginia Retirement System benefit provisions since the prior actual valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014, and not covered by enhanced hazardous duty benefits. The liabilities presented in Exhibit XIII-2 do not reflect the hybrid plan since it covers new employees joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

There have been no changes to the Employees' Supplemental Retirement Plan benefit provisions for fiscal year 2015.

D. Retirement Plan Changes of Assumptions

For the VRS Political Subdivision Retirement Plan, the following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:
Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 –LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

For the VRS Teacher Retirement Plan, the following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

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OTHER SUPPLEMENTARY INFORMATION

(Unaudited)

The Other Supplementary Information subsections include the following:

- Combining statements for the pension and other employee benefit trust funds
- Statement of changes in assets and liabilities for the student activity fund

Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

ACPS' goal #5
Health and Wellness: ACPS will promote efforts to enable students to be healthy and ready to learn.

FIDUCIARY FUNDS

Pension and Other Employee Benefits Trust Funds are used to account for assets held by Alexandria City Public Schools (ACPS) in a trustee capacity under terms of a formal trust agreement.

- Employees' Supplemental Retirement Plan is a single-employer defined benefit plan for eligible full-time employees. It accounts for assets held in trust by Principal Financial Group for ACPS.

- ACPS Other Post-Employment Benefits Trust (OPEB) accounts for accumulating and investing assets for ACPS' post-employment health benefit subsidies for eligible retirees and their surviving spouses.

The Student Activity Fund is used to account for funds held by a school in a trustee capacity or as an agent for students, club organizations, teachers and the general administration of the school.

Exhibit XIV

Alexandria City Public Schools, Virginia

Combining Statement of Fiduciary Net Position
Pension and Other Post-Employment Benefit Trust Funds
June 30, 2015

	Employees' Supplementary Retirement Plan	ACPS Other Post-Employment Benefit Trust	Total Pension and Other Employee Benefit Trust Funds
Assets			
Investments, at fair value			
Bonds	$ 56,454,050	$ 3,177,765	$ 59,631,815
Mutual funds	36,523,468	6,665,227	43,188,695
Real estate	12,171,892	929,092	13,100,984
Global asset allocation	11,909,761	2,450,649	14,360,410
Cash	-	242,372	242,372
Accounts Receivable	183,447	-	183,447
Total assets	117,242,618	13,465,105	130,707,723
Liabilities			
Accounts Payable	-	-	-
Total liabilities	-	-	-
Net Position			
Investments held in trust for pension and other employee benefits	117,242,618	13,465,105	130,707,723
Total net position	$ 117,242,618	$ 13,465,105	$ 130,707,723

Exhibit XV

Alexandria City Public Schools, Virginia

Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Year Ended June 30, 2015

	Employees' Supplementary Retirement Plan	ACPS Other Post Employment Benefits Trust	Total Pension and Other Employee Benefit Trust Funds
Additions			
Employer contributions	$ -	$ 4,031,782	$ 4,031,782
Employee contributions	2,208,146	-	2,208,146
Net investment income	2,821,752	243,201	3,064,953
Total additions	5,029,898	4,274,983	9,304,881
Deductions			
Benefit payments	5,850,321	1,332,547	7,182,868
Administrative expenses	156,738	13,007	169,745
Total deductions	6,007,059	1,345,554	7,352,613
Change in net position	(977,161)	2,929,429	1,952,268
Net position-July 1, 2014	118,219,779	10,535,676	128,755,455
Net position-June 30, 2015	$ 117,242,618	$ 13,465,105	$ 130,707,723

Exhibit XVI

Alexandria City Public Schools, Virginia
Statement of Changes in Assets and Liabilities
Student Activity Fund
For the Year Ended June 30, 2015

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Assets				
Cash held on behalf of student activity fund	$ 560,274	1,343,382	1,322,263	$ 581,393
Total assets	$ 560,274	1,343,382	1,322,263	$ 581,393
Liabilities				
Due to student groups	$ 560,274	1,343,382	1,322,263	$ 581,393
Total liabilities	$ 560,274	1,343,382	1,322,263	$ 581,393

Alexandria City Public Schools

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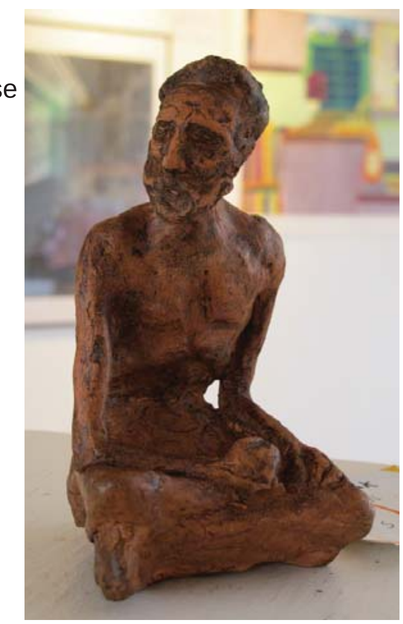
STATISTICAL SECTION

This part of the Alexandria City Public Schools Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and require supplementary information says about the School System's overall financial health.

Financial Trends
These schedules contain trend information to help the reader comprehend how the School System's financial performance and well-being have changed over time.

Revenue Capacity
These schedules contain information to help the reader assess the School System's most significant local revenue source, food service sales.

Debt Capacity
This schedule presents information to help the reader assess the affordability of the School System's current level of outstanding capital lease debt.



Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which the School System's financial activities take place.

Operating Information
These schedules contain service and infrastructure data to help the reader understand how the information in the School System's financial report relates to the services the School System provides and the activities it performs.

Source:
Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

ACPS' goal #6
Effective and Efficient Operations: ACPS will be efficient, effective, and transparent in its business operations.

Alexandria City Public Schools

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Table 1

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
Net Position
Last ten fiscal years

Governmental Activities:

	Net investment in capital assets(1)	Unrestricted	Restricted	Total net postion
2015	$ 9,862,313	$ (205,113,466)	$ 16,773,840	$ (178,477,313)
2014	9,666,296	(215,168,814)	17,449,685	(188,052,833) (2)
2013	10,101,429	17,173,118	3,091,635	30,366,182
2012	9,848,454	17,140,693	2,562,085	29,551,232
2011	8,184,654	15,391,860	3,763,533	27,340,047
2010	7,085,154	13,145,935	-	20,231,089
2009	7,567,843	8,439,002	-	16,006,845
2008	7,280,285	4,206,663	-	11,486,948
2007	6,766,066	7,258,018	-	14,024,084
2006	6,541,535	11,716,938	-	18,258,473

1) Amounts shown are net of any related debt.

2) ACPS implemented Governmental Accounting Standards Board Statement No.68, Accounting and Financial Reporting for Pensions and Statement No. 71, Pension Transition for Contributions made subsequent to the Measurement Date in fiscal year 2015 and as result, the net position for fiscal year 2014 was restated.

Source: Alexandria City Public Schools Comprehensive Annual Financial Report

Table 2

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
Changes in Net Position
Last ten fiscal years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
General instruction	$ 133,703,058	$ 147,112,270	$ 148,262,135	$ 158,246,046	$ 157,543,359	$ 162,112,276	$ 172,528,593	$ 180,228,637	$ 173,706,777	$ 178,975,925
Adult education	1,104,184	1,150,506	1,250,546	1,347,001	1,378,268	1,406,505	1,263,518	889,144	900,966	957,153
Summer school	1,964,061	1,902,445	2,046,501	2,113,576	1,936,304	1,488,236	1,086,494	594,626	668,925	792,906
Administration	11,726,347	14,242,151	18,882,108	15,648,631	14,685,291	12,715,266	17,331,705	16,617,218	16,686,774	16,485,282
Attendance and health services	4,171,692	4,779,220	5,055,413	4,983,770	4,888,721	4,683,823	4,587,196	4,928,558	5,733,737	5,704,138
Pupil transportation	5,168,493	6,345,873	7,008,642	6,849,868	8,285,171	8,201,645	8,225,165	9,144,732	8,101,913	9,344,396
Plant operations and maintenance	15,051,848	15,876,284	16,343,026	15,657,789	14,048,738	16,076,092	16,667,322	16,936,841	16,194,488	18,475,458
Food services	4,371,644	4,837,436	5,426,369	5,766,168	5,784,936	6,156,504	6,407,033	6,919,510	6,507,249	7,619,108
Capital Improvement Services	5,738,798	3,259,996	3,875,624	3,240,363	2,143,870	2,712,093	3,219,204	3,205,123	3,098,165	4,166,558
Total governmental expenses	183,000,125	199,506,181	208,150,364	213,853,212	210,694,658	215,552,440	231,316,230	239,464,389	231,598,994	242,520,924
Program revenues										
Charges for services										
Instruction	298,024	302,813	340,414	400,238	580,627	367,919	305,139	335,299	292,105	217,277
Plant operations and maintenance	269,074	264,588	371,854	398,298	306,428	299,672	329,484	328,755	135,101	119,190
Food services	1,557,650	1,676,770	1,985,718	2,065,103	1,863,922	1,901,699	1,893,970	1,766,299	1,706,521	1,617,692
Operating grants and contributions	13,097,186	14,779,561	11,263,558	13,028,821	17,342,988	21,376,623	22,343,336	19,240,425	16,199,266	17,152,274
Total program revenues	15,221,934	17,023,732	13,961,544	15,892,460	20,093,965	23,945,913	24,871,929	21,670,778	18,332,993	19,106,433
Net (expenses)	(167,778,191)	(182,482,449)	(194,188,820)	(197,960,752)	(190,600,693)	(191,606,527)	(206,444,301)	(217,793,611)	(213,266,001)	(223,414,491)
General revenues										
Intergovernmental:										
City of Alexandria	139,340,097	150,719,166	164,165,802	171,851,307	166,506,350	170,134,763	178,449,148	185,841,404	185,939,138	196,303,878
State aid	24,075,496	26,950,438	26,626,964	29,862,535	26,511,976	25,786,037	27,984,171	31,627,807	34,039,898	35,999,443
Grants not restricted to specific programs	77,769	19,362	56,623	28,780	8,323	1,043,535	-	-	-	-
Other local funds	42,816	559,094	802,296	738,026	1,798,288	1,751,150	2,222,167	1,139,350	1,651,826	686,690
Total general revenues	163,536,178	178,248,060	191,651,685	202,480,648	194,824,937	198,715,485	208,655,486	218,608,561	221,630,862	232,990,011
Change in net position	**$ (4,242,013)**	**$ (4,234,389)**	**$ (2,537,135)**	**$ 4,519,896**	**$ 4,224,244**	**$ 7,108,958**	**$ 2,211,185**	**$ 814,950**	**$ 8,364,861**	**9,575,520**

Source: Alexandria City Public Schools Comprehensive Annual Financial Report
Amounts prior to FY2012 have been changed to provide a consistent comparison to FY2012 and fiscal years afterward.

Table 3

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
Fund Balances-Governmental Funds
Last ten fiscal years
(In thousands)

	Pre-GASB 54			
	2006	**2007**	**2008**	**2009**
General Fund				
Reserved for:				
Encumbrances	$ 1,292	$ 720	$ 734	$ 960
Prepaid items	964	834	537	676
Unreserved	6,087	3,368	6,615	11,503
Total general fund	**$ 8,342**	**$ 4,922**	**$ 7,886**	**$ 13,139**
All Other Governmental Funds				
Reserved for:				
Inventories	$ 205	$ 142	$ 87	$ 159
Encumbrances	196	4	67	31
Prepaid items	-	24	13	14
Unreserved, reported in:				
Capital projects funds	2,442	27	78	-
Non major governmental funds	629	2,845	2,424	2,704
Total all other governmental funds	**$ 3,472**	**$ 3,042**	**$ 2,670**	**$ 2,907**

	Post -GASB 54					
	2010	**2011**	**2012**	**2013**	**2014**	**2015**
General Fund						
Non Spendable:						
Non Spendable	$ 628	$ 866	$ 959	$ 910	$ 882	$ 879
Spendable:						
Restricted	-	-	-	-	-	-
Committed	-	3,900	-	6,670	4,566	3,260
Assigned	7,892	8,333	8,545	952	1,928	1,309
Unassigned	5,925	2,879	6,669	4,566	3,651	6,997
Total general fund	**$ 14,445**	**$ 15,978**	**$ 16,173**	**$ 13,098**	**$ 11,027**	**$ 12,445**
All Other Governmental Funds						
Non Spendable:						
Special Revenue Fund	$ 128	$ 144	$ 133	$ 199	$ 177	$ 203
Spendable:						
Restricted						
Special Revenue Fund	2,267	2,753	2,562	3,092	3,141	1,965
Committed	-	-	-	-	-	-
Assigned						
Capital Projects	503	39	312	3,337	567	892
Special Revenue Fund	1,533	1,903	2,437	2,704	3,363	3,840
Unassigned	-	-	-	-	-	-
Total all other governmental funds	**$ 4,431**	**$ 4,840**	**$ 5,444**	**$ 9,332**	**$ 7,248**	**$ 6,900**

Note: Four years of data available for GASB 34 compliance
Six years of data available for GASB 54 compliance which was adopted in 2011.
2010 data was restated for GASB 54 comparable presentation

Source: Alexandria City Public Schools Comprehensive Annual Financial Report

Table 4

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
Changes in Fund Balances-Governmental Funds
Last ten fiscal years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Intergovernmental:										
City of Alexandria	$ 139,340,097	$ 150,719,166	$ 164,165,802	$ 167,953,749	$ 166,506,350	$ 170,134,763	$ 178,449,148	$ 185,841,404	$ 185,939,138	$ 196,303,878
State aid	25,235,466	30,676,038	28,496,080	32,413,733	29,186,616	28,473,281	31,497,154	35,765,060	37,164,240	39,386,758
Federal aid	11,651,372	11,053,961	9,394,442	10,477,624	14,668,348	19,732,840	18,830,353	15,103,172	13,074,924	13,002,053
Tuition and fees	567,099	567,401	692,734	797,537	887,054	667,591	634,623	664,054	578,266	431,166
Food sales	1,367,578	1,445,583	1,716,098	1,760,739	1,673,573	1,693,935	1,701,929	1,756,982	1,652,483	1,572,260
Gift and donations	42,816	19,362	56,623	28,780	8,323	-	-	-	-	-
Other local funds	553,684	790,281	1,091,450	1,043,389	1,988,638	1,958,989	2,414,208	1,148,667	1,554,803	1,400,329
Total Revenues	178,758,112	195,271,792	205,613,229	214,475,551	214,918,902	222,661,399	233,527,415	240,279,339	239,963,854	252,096,444
Expenditures										
General instruction	133,892,994	147,316,483	149,190,613	155,663,182	157,627,102	163,499,284	173,129,524	179,159,223	182,232,872	186,340,827
Adult education	1,104,184	1,150,506	1,250,546	1,347,001	1,378,268	1,406,505	1,263,517	889,144	900,966	957,153
Summer school	1,964,061	1,902,445	2,046,501	2,113,576	1,936,304	1,488,236	1,086,494	594,626	668,925	792,906
Administration	12,071,698	13,617,285	13,285,978	16,056,640	17,340,738	16,773,681	16,560,782	16,601,020	18,093,707	18,499,001
Attendance and health services	4,171,692	4,779,220	5,055,413	4,983,770	4,888,721	4,683,823	4,587,196	4,928,558	6,002,891	5,939,303
Pupil transportation	5,426,771	6,691,253	6,804,158	7,531,734	7,912,014	8,251,496	9,062,813	9,441,875	9,549,575	10,051,282
Operation of plants and maintenance	15,090,224	15,613,171	16,168,702	15,522,740	13,889,873	15,823,826	16,337,333	16,593,733	16,669,275	18,811,209
Food services	4,362,564	4,791,958	5,342,989	5,689,337	5,706,699	6,081,273	6,421,638	7,008,020	6,902,514	7,792,603
Capital improvement services	5,738,798	3,259,996	3,875,624	-	2,143,870	2,712,092	3,219,204	3,205,123	3,098,165	4,166,558
Debt Service:										
Principal	-	-	-	-	-	-	1,045,511	1,013,289	-	-
Interest	-	-	-	-	-	-	13,426	32,221	-	-
Total Expenditures	183,822,986	199,122,317	203,020,524	208,907,980	212,823,589	220,720,216	232,727,438	239,466,832	244,118,890	253,350,842
Excess (deficiency) of revenues ove expenditures	(5,064,874)	(3,850,525)	2,592,705	5,567,571	2,095,313	1,941,183	799,977	812,507	(4,155,036)	(1,254,398)
Other financing sources (uses)										
Transfers in	-	-	-	-	-	-	-	1,195,221	1,079,387	4,874,636
Transfers out	-	-	-	-	-	-	-	(1,195,221)	(1,079,387)	(2,550,004)
Total Other Financing Sources (uses)	-	-	-	-	-	-	-	-	-	2,324,632
Total Net Change in Fund Balances	**$ (5,064,874)**	**$ (3,850,525)**	**$ 2,592,705**	**$ 5,567,571**	**$ 2,095,313**	**$ 1,941,183**	**$ 799,977**	**$ 812,507**	**$ (4,155,036)**	**$ 1,070,234**

Source: Alexandria City Public Schools Comprehensive Annual Financial Report

Amounts prior to FY2012 have been changed to provide a consistent comparison to FY2012 and Fiscal years afterward..

Table 5

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
General Fund Expenditures By Detail Object
Last ten fiscal years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
PERSONNEL SERVICES										
Personnel services	$ 105,891,953	$ 115,268,038	$ 116,586,533	$ 122,861,904	$ 122,642,742	$ 124,375,779	$ 132,703,464	$ 138,857,082	$ 142,806,798	$ 145,193,704
Benefits	32,109,015	40,580,867	43,103,596	45,615,300	44,120,346	41,338,213	43,841,559	47,639,880	49,626,807	53,900,044
Total Personnel Services	138,000,968	155,848,905	159,690,129	168,477,204	166,763,088	165,713,992	176,545,023	186,496,962	192,433,605	199,093,748
NON-PERSONNEL SERVICES										
Professional services	2,589,519	2,560,821	2,926,602	3,260,212	3,148,080	4,273,545	3,544,539	2,981,527	3,207,115	2,596,283
Temporary help service fees	624,013	695,608	851,782	1,041,777	1,055,076	1,623,562	1,635,059	1,744,523	1,507,817	1,556,284
Maintenance services and contracts	2,602,525	2,505,266	2,490,311	2,886,637	3,587,639	3,800,347	4,300,112	4,255,492	4,081,610	4,781,510
Transportation	502,775	877,588	691,861	904,163	1,007,425	1,179,986	1,349,859	1,411,008	1,451,944	1,587,439
Printing and binding	184,546	267,505	215,942	206,223	163,385	197,130	199,400	146,569	194,802	187,794
Purchase of services from other govt. entities	1,198,124	1,526,329	1,233,851	1,050,084	712,917	509,934	399,802	376,375	308,360	306,315
Other purchased services	59,819	59,845	58,060	53,004	57,033	53,357	50,006	32,559	32,167	52,622
Internal services	110,858	124,576	82,882	90,154	101,263	89,599	12,373	(777)	6,443	3,499
Utilities	2,635,670	2,748,445	3,041,355	3,052,269	1,691,991	2,293,175	2,814,813	2,753,748	2,637,463	2,857,652
Communications	866,167	808,646	692,365	640,400	739,419	820,685	804,807	834,353	807,257	920,515
Insurance	375,310	378,069	408,630	365,365	387,114	339,081	300,733	292,202	312,349	279,658
Leases and rentals	2,002,474	3,756,201	3,630,369	3,189,449	3,239,017	3,956,231	2,381,312	3,269,711	2,501,502	4,379,671
Travel	498,379	565,535	369,735	436,791	419,366	561,331	477,103	479,205	530,679	531,201
Awards and grants	3,777	-	-	-	-	1,180	54,200	415,473	537,833	627,760
Miscellaneous	153,134	176,114	165,676	196,715	213,616	232,722	210,466	206,269	244,376	242,609
Educational and recreational supplies	1,761,168	1,669,931	1,563,509	1,583,593	1,662,459	1,899,576	1,940,712	2,239,990	1,892,870	1,929,657
Textbooks	2,043,022	1,067,601	1,028,206	912,578	1,097,526	1,114,354	1,342,578	647,396	2,694,179	1,219,696
Food supplies and food service supplies	116,824	118,911	72,123	82,883	57,954	61,244	353,446	440,840	411,875	421,654
Technology	1,478,500	948,084	983,743	1,034,923	856,002	999,503	1,693,719	2,126,434	1,599,853	1,700,148
Medical and laboratory supplies	20,929	21,122	19,176	17,386	14,937	78,528	19,756	21,623	21,161	25,118
Repair and maintenance supplies	350,369	357,558	424,822	-	-	-	296,935	212,785	260,433	382,833
Laundry, housekeeping and janitorial supplies	413,286	432,020	394,586	438,602	415,701	410,780	429,144	452,425	427,118	425,525
Vehicle and power equipment fuel	466,763	365,248	453,857	397,915	404,963	378,342	744,831	543,069	580,756	473,636
Vehicle and power equipment supplies	232,279	272,842	300,377	263,103	328,938	478,374	199,905	258,569	242,774	319,096
Other operating supplies	247,463	248,715	729,674	65,803	493,185	504,846	631,732	364,630	291,445	337,442
Capital outlay	4,062,450	2,613,595	2,287,111	2,965,402	2,426,022	2,166,190	2,198,171	2,327,968	2,758,917	2,659,793
Total Non-personnel Services	25,600,143	25,166,175	25,116,605	25,135,430	24,281,028	28,023,603	28,385,513	28,833,966	29,543,098	30,805,410
GRAND TOTAL	**$ 163,601,111**	**$ 181,015,080**	**$ 184,806,734**	**$ 193,612,634**	**$ 191,044,116**	**$ 193,737,595**	**$ 204,930,536**	**$ 215,330,928**	**$ 221,976,703**	**$ 229,899,158**

Source: Alexandria City Public Schools Financial Services Department

Table 6

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
Capital Improvement Expenditures
Last ten fiscal years
(in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
John Adams	$ 1,093	$ 355	$ 488	$ 33	$ -	$ -	$ 6	$ 59	$ 63	$ 43	$ 2,140
Charles Barrett	-	1	-	-	-	84	-	-	-	38	123
Patrick Henry	-	23	278	2	-	-	348	194	5	-	850
Jefferson-Houston	-	332	-	-	-	-	14	-	-	771	1,117
Cora Kelly	-	-	-	-	-	-	-	296	6	-	302
Lyles-Crouch	20	-	61	90	-	-	49	3	-	-	223
Douglas MacArthur	128	-	212	-	-	64	-	-	-	-	404
George Mason	-	10	141	143	47	365	-	-	-	-	706
Maury	-	-	-	-	-	-	33	-	-	-	33
Mount Vernon	15	18	-	-	-	-	-	-	3	17	53
James Polk	383	-	-	-	-	13	-	-	-	-	396
William Ramsay	1,611	79	15	-	-	-	211	-	-	-	1,916
F.C. Hammond	-	239	13	162	109	241	205	161	103		1,233
George Washington	70	411	-	23	7	183	-	-	-	290	984
T.C. Williams	-	-	-	-	-	3	37	-	-	21	61
Minnie Howard	-	47	248	-	-	28	-	-	-	-	323
Rowing Facility	245	-	290	32	-	-	-	43	97	20	727
System Wide	2,174	1,745	2,129	2,755	1,981	1,731	2,316	2,449	2,821	2,966	23,067
GRAND TOTAL	**$ 5,739**	**$ 3,260**	**$ 3,875**	**$ 3,240**	**$ 2,144**	**$ 2,712**	**$ 3,219**	**$ 3,205**	**$ 3,098**	**$ 4,166**	**$ 34,658**

Source: Alexandria City Public Schools Financial Services Department

Table 7

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
Ratios of Capital Lease Payments to Total General Expenditures [1]
Last ten fiscal years

Fiscal Year	Principal	Interest	Total Capital Lease Payments	General Fund Expenditures [2]	Ratio
2015	$ -	$ -	$ -	$ 229,899,158	0.00%
2014	-	-	-	221,976,703	0.00%
2013	1,013,289	32,221	1,045,510	215,330,928	0.49%
2012	1,045,511	13,426	1,058,937	204,930,536	0.52%
2011	1,132,990	15,638	1,148,628	193,737,595	0.59%
2010	1,132,990	15,638	1,148,628	191,044,116	0.60%
2009	1,132,991	15,637	1,148,628	193,612,634	0.59%
2008 [3]	339,086	2,340	341,426	184,806,734	0.18%
2007	-	-	-	181,015,080	0.00%
2006	-	-	-	163,601,111	0.00%

(1) See Note 6- Lease Obligations in the notes to the financial statements for additional information on ACPS capital lease obligations

(2) See Table 5 for General Fund expenditure details and totals for years indicated.

(3) ACPS entered into capital lease agreements in FY2008.

Source: Alexandria City Public Schools Comprehensive Annual Financial Reports

Table 8

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
Cost Per Pupil
Last ten fiscal years

Fiscal Year	Governmental Funds Expenditures [1]	Actual Enrollment [2]	Cost Per Pupil [4]	Average Daily Attendance [ADA] [3]	Average Daily Membership [ADM] [3]
2015	$ 249,184,284	14,224	$ 16,731	13,280	13,963
2014	241,020,725	13,623	16,977	12,679	13,279
2013	236,261,709	13,114	17,211	12,271	12,913
2012	229,508,234	12,395	17,626	11,496	12,062
2011	218,008,124	11,999	17,343	11,090	11,677
2010	210,679,719	11,623	17,247	10,936	11,482
2009	208,907,980	11,225	17,157	10,416	11,094
2008	199,144,900	10,557	18,090	9,885	10,488
2007	195,862,321	10,332	18,181	9,446	10,019
2006	178,084,188	10,521	16,204	9,587	10,220

Note: The formula for calculating the cost per pupil considers general operating funds and federal entitlement grants that support students in grades kindergarten (KG)-12 divided by KG-12 enrollment. Exclusions include preschool costs, adult education, and the school nutrition program which is a self-sufficient, special revenue fund.

ACPS has revised the actual enrollment data series for FY 2006 and 2007 to include all students, consistent with the other fiscal years shown.

Source:
[1] Alexandria City Public Schools Comprehensive Annual Financial Report, not including expenditures for capital improvement services
[2] Alexandria City Public Schools Budget Office
[3] Alexandria City Public Schools Technology Services Office
[4] Alexandria City Public Schools Budget Office, Average All Students

Table 9

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
DEMOGRAPHIC STATISTICS
Last ten fiscal years

Fiscal Year	Personal Income ($000) [6]	Per Capita Personal Income [6]	Number Receiving Free or Reduced Price Meals [1]	Unemployment Rate [2]	Number Receiving Special Education [3]	Population [2]	Number in English as a Second Language [4]	Number in Gifted and Talented [5]
2015	$ -	$ -	8,582	3.5%	1,634	150,575	4,202	1,605
2014	-	-	8,100	4.6%	1,621	148,892	3,642	1,488
2013	12,071,851	81,078	7,370	4.7%	1,641	146,294	3,406	1,671
2012	12,011,856	81,803	6,916	4.6%	1,686	144,301	3,005	1,269
2011	11,465,928	79,437	6,665	4.8%	1,701	141,287	2,698	1,383
2010	10,767,887	76,462	6,264	4.7%	1,906	150,006	3,430	1,293
2009	10,286,978	74,802	5,866	2.8%	1,830	144,100	2,909	1,225
2008	10,396,023	78,196	5,012	2.9%	1,786	140,024	2,083	1,249
2007	9,940,875	76,957	4,961	2.2%	1,802	139,000	1,882	1,337
2006	9,561,254	74,887	5,237	2.6%	1,900	138,000	1,856	1,421

Note: Population count is an estimate for calendar year 2010.

Source:
[1] School Nutrition Services
[2] The City of Alexandria
[3] Office of Student Services
[4] Office of English Language Learners
[5] Office of Curriculum and Instruction
[6] Bureau of Economic Analysis (BEA), as revised, data is only shown for the fiscal years available.

Table 10

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
TOTAL STUDENT MEMBERSHIP BY GRADE
Last ten fiscal years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Elementary										
Pre-K & Kindergarten	1,170	1,226	1,212	1,303	1,352	1,484	1,643	1,792	1,703	1,735
Grades 1-3	2,685	2,679	2,748	3,023	3,276	3,342	3,454	3,666	3,898	4,013
Grades 4-6	2,345	2,211	2,322	2,420	2,455	2,606	2,782	2,915	3,022	3,134
Total Elementary	6,200	6,116	6,282	6,746	7,083	7,432	7,879	8,373	8,623	8,882
Secondary										
Grades 7-8	1,459	1,428	1,369	1,415	1,478	1,484	1,492	1,540	1,656	1,811
9th Grade	763	698	731	751	741	758	784	813	892	1,028
10th Grade	730	720	720	786	813	769	803	847	846	917
11th Grade	697	691	742	756	766	776	713	789	832	795
12th Grade	600	588	601	656	616	715	655	673	714	734
Total Secondary	4,249	4,125	4,163	4,364	4,414	4,502	4,447	4,662	4,940	5,285
Special Placements- District-wide	72	91	112	115	126	65	69	79	60	57
Grand Total	**10,521**	**10,332**	**10,557**	**11,225**	**11,623**	**11,999**	**12,395**	**13,114**	**13,623**	**14,224**

Note: This table is based on the September 30 student membership.

Source: Alexandria City Public Schools Budget Office

Table 11

ALEXANDRIA CITY PUBLIC SCHOOLS
SCHOOL NUTRITION SERVICES MEALS SERVED
Last ten fiscal years

	2006	2007	2008	2009	2010 [1]	2011	2012	2013	2014 [2]	2015	10-year Average
DAYS MEALS SERVED											
No. of days, Traditional calendar schools	183	183	183	183	173	183	182	182	175	180	181
Additional days, Modified calendar schools	28	29	27	25	20	22	22	22	21	21	24
Total school days	211	212	210	208	193	205	204	204	196	201	204
NUMBER OF PUPIL LUNCHES SERVED:											
Paid lunches	334,952	355,876	388,809	387,071	358,600	379,712	360,061	316,368	277,992	271,798	343,124
Reduced price lunches	172,086	176,533	200,207	224,052	200,052	199,665	222,870	201,473	202,174	215,702	201,481
Free lunches	580,966	565,305	629,393	712,383	712,383	830,026	876,088	932,328	956,096	1,051,000	784,597
Total Pupil Lunches	1,088,004	1,097,714	1,218,409	1,323,506	1,271,035	1,409,403	1,459,019	1,450,169	1,436,262	1,538,500	1,329,202
NUMBER OF PUPIL BREAKFASTS SERVED:											
Paid breakfasts	54,569	55,646	58,438	51,448	46,660	61,791	76,700	87,558	73,799	66,879	63,349
Reduced price breakfasts	60,423	66,085	80,846	89,922	75,621	85,305	95,741	94,799	89,078	90,410	82,823
Free breakfasts	242,961	258,731	296,015	329,858	321,589	397,465	428,969	452,947	458,130	497,848	368,451
Total Pupil Breakfasts	357,953	380,462	435,299	471,228	443,870	544,561	601,410	635,304	621,007	655,137	514,623

(1) Due to the February 2010 snowstorm, ACPS was closed for 10 days. To compensate for the instruction days lost, the school day was lengthened for the remainder of the school year.

(2) Due to snowstorms in January and February 2014, ACPS was closed for 10 days. To compensate for the lost instruction days, the school day was lengthened for the remainder of the school year.

Source: Alexandria City Public Schools School Nutrition Services

Table 12

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
SCHOOL NUTRITION SERVICES REVENUES AND EXPENDITURES
Last ten fiscal years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	10-year Total	10-year Average
Revenues												
Federal aid	$ 2,558,207	$ 2,661,998	$ 3,148,929	$ 3,585,354	$ 3,780,951	$ 4,211,055	$ 4,512,869	$ 4,995,585	$ 5,196,567	$ 5,863,269	$ 40,514,783	$ 4,051,478
State aid	61,345	51,993	52,225	57,474	62,872	62,817	107,671	119,895	126,034	121,568	823,894	82,389
Local	1,557,649	1,676,769	1,985,718	2,065,102	1,863,922	1,901,624	1,893,969	1,766,299	1,706,521	1,617,693	18,035,267	1,803,527
Total Revenue	4,177,201	4,390,760	5,186,872	5,707,931	5,707,745	6,175,496	6,514,509	6,881,779	7,029,122	7,602,530	59,373,944	5,937,394
Expenditures												
Salaries	1,629,449	1,709,459	1,829,295	1,884,905	1,888,260	1,946,823	2,049,420	2,152,742	2,195,771	2,261,433	19,547,557	1,954,756
Benefits	610,163	664,485	760,551	790,539	800,823	732,585	808,633	892,643	896,539	1,004,572	7,961,533	796,153
Purchased services	139,732	246,552	258,666	203,005	212,813	364,693	58,396	39,071	61,592	41,016	1,625,536	162,554
Internal services	4,755	4,554	4,381	2,808	4,558	5,192	8,451	4,590	4,489	2,304	46,082	4,608
Other charges	47,964	35,904	62,649	21,879	17,024	17,305	18,348	16,521	9,482	11,461	258,537	25,854
Food supplies	1,559,261	1,803,241	2,074,105	2,420,184	2,440,852	2,566,743	2,911,883	3,244,483	3,214,658	3,497,335	25,732,745	2,573,275
Capital outlay	25,324	60,302	6,828	54,617	52,221	156,031	137,282	197,917	10,147	281,269	981,938	98,194
Other	70,733	-	46,661	-	-	-	-	-	-	-	117,394	11,739
Total Expenditures	4,087,381	4,524,497	5,043,136	5,377,937	5,416,551	5,789,373	5,992,413	6,547,967	6,392,678	7,099,390	56,271,323	5,627,132
Revenues over (under) Expenditures	$ 89,820	$ (133,737)	$ 143,736	$ 329,994	$ 291,194	$ 386,122	$ 522,096	$ 333,812	$ 636,444	$ 503,140	$ 3,102,621	$ 310,262

Source: Alexandria City Public Schools, Financial Services Department Accounting Office

Table 13

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
School Nutrition Services Sales Price
Last ten fiscal years

Fiscal	Student	Student Lunch			Adult	
Year	Breakfast	Elementary	Middle	High	Breakfast	Lunch
2015	1.75	2.45	2.65	2.65	N/A[1]	3.40
2014	1.75	2.45	2.65	2.65	N/A[1]	3.30
2013	1.50	2.35	2.60	2.60	N/A[1]	3.25
2012	1.25	2.25	2.50	2.50	1.55	3.25
2011	1.25	2.25	2.50	2.50	1.55	3.10
2010	1.15	2.15	2.45	2.45	1.55	3.10
2009	1.05	2.15	2.45	2.45	1.55	3.10
2008	1.05	2.05	2.35	2.35	1.55	3.10
2007	1.05	2.05	2.35	2.35	1.55	2.50
2006	1.00	2.00	2.30	2.30	1.50	2.50

(1) Starting with FY 2013, Alexandria School Board approved a la carte menu items for adult breakfast.

Source: Alexandria City Public Schools School Nutrition Services

Table 14

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
School Nutrition Services Principal Clients
Current year and nine years ago

	Current Year			Nine years Ago		
Client	**Sales**	**Rank**	**Percentage of Sales**	**Sales**	**Rank**	**Percentage of Sales**
Students	$ 727,029	1	46.2%	$ 719,478	1	50.3%
A La Carte	458,909	2	29.2%	430,642	2	30.1%
Catering/Other	233,141	3	14.8%	121,204	3	8.5%
Summer School Feeding Program	107,318	4	6.8%	100,251	4	7.0%
Adult	45,448	5	2.9%	50,891	5	3.6%
Vending	416	6	0.0%	6,748	6	0.5%
Total	$ 1,572,260		100.0%	$ 1,429,214		100.0%

Source: Alexandria City Public Schools School Nutrition Services

Table 15

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
Full-time Equivalent By Function-All Funds
Last ten fiscal years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Instruction	1,626.0	1,625.1	1,595.4	1,628.3	1,663.2	1,761.4	1,770.6	1,768.0	1,746.4	1,775.0
Adult Education	9.0	9.0	7.0	10.0	10.0	10.0	9.1	4.0	4.0	4.0
Administration	70.5	68.5	63.5	73.3	63.0	65.6	69.6	69.0	75.0	84.5
Attendance and Health	54.1	54.1	53.6	55.6	37.4	34.4	34.4	34.3	54.9	60.0
Transportation	125.0	131.0	129.0	135.0	135.0	134.0	134.0	137.0	141.5	148.5
Plant Operations & Maintenance	157.5	156.5	135.4	122.8	111.2	95.8	90.2	90.5	108.5	102.5
School Food Services	75.0	75.0	74.5	79.6	78.6	79.6	87.0	92.0	103.1	93.6
Total FTEs	**2,117.1**	**2,119.2**	**2,058.4**	**2,104.5**	**2,098.5**	**2,180.9**	**2,194.9**	**2,194.8**	**2,233.5**	**2,268.1**

Source: Alexandria School Board's Final Budget and Human Resources Data

Table 16

ALEXANDRIA CITY PUBLIC SCHOOLS
Capital Assets Information by Function
Last ten fiscal years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Instructional Facilities										
Elementary Schools	13	13	13	13	13	13	13	13	13	13
Middle Schools	2	2	2	2	5 (1)	5 (1)	5 (1)	5 (1)	5 (1)	2 (1)
High Schools	1	1	1	1	1	1	1	1	1	1
Alternative Education	1	1	1	1	1	1	1	2	2	2
Plant Operations and Maintenance										
Vehicles	40	43	40	44	44	45	45	52	53	59
Pupil Transportation										
Buses	66	71	72	74	98	100	101	101	107	107

(1) From fiscal years 2010 to 2014, the student population at the two middle school locations were divided into five groups. Each group was organized and managed as a separate middle school, led by a principal. In 2015, the student groups were reduced to two, based upon the school location. Each separate middle school location is led by a principal and supported by two or more assistant/associate principals.

Source: Alexandria City Public Schools Accounting and Finance Office

Table 17

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
TEACHERS' EDUCATION AND EXPERIENCE
June 30, 2015

Degree	Number of Teachers	Percentage of Total
Bachelor's Degree	276	19.3%
Master's Degree	893	62.5%
Master's + 30	260	18.2%
Total	1,429	100.0%

Years of Experience	Number of Teachers	Percentage of Total
0 - 5	424	29.7%
6 - 10	319	22.3%
11 and over	686	48.0%
Total	1,429	100.0%

Source: The Alexandria City Public Schools Human Resources Office

Table 18

ALEXANDRIA CITY PUBLIC SCHOOLS, VIRGINIA
TEACHERS' BASE SALARIES
(Annual School Year Salary)
Last ten fiscal years

Fiscal Year	Minimum Salary [1]	Mean Salary	Maximum Salary [2]	Percentage Change [3]
2015	$ 47,242	$ 73,612	$ 107,259	1.0%
2014	47,242	73,705	107,259	1.1%
2013	46,773	72,704	106,197	7.2%
2012	43,633	71,239	99,064	6.5%
2011	42,671	69,845	93,007	0.0% [4]
2010	42,671	69,305	93,007	0.0%
2009	42,671	68,836	93,007	0.0%
2008	42,671	69,301	93,007	1.5%
2007	42,040	66,837	91,633	2.0%
2006	35,563	62,536	83,161	2.0%

NOTES:

1) The minimum salary represents the minimum amount an ACPS teacher with a Bachelor's degree may earn for regular classroom instruction during the school year, according to the professional salary schedule for teachers and paraprofessionals.

2) The maximum salary represents the maximum amount an ACPS teacher with a Masters degree and 30 years of service may earn for regular classroom instruction during the school year, according to the professional salary schedule for teachers and paraprofessionals, dependent on educational attainment and years of service.

3) The percentage change is the official increase for that year as approved by the School Board.

4) One-time bonus payments were given in lieu of salary increases.

Source: The Alexandria City Public Schools Human Resources Office and Budget Office

Table 19

Principal Employers
Current Year (as of July 1, 2015 and Nine Years Ago)

Current Year	Employees[1]	Percentage of Total City Employment[2]	Nine Years Ago	Employees[1]	Percentage of Total City Employment[2]
LARGEST PUBLIC EMPLOYERS			*LARGEST PUBLIC EMPLOYERS*		
U.S. Department of Commerce	1,000 & over	3.41%	U.S. Patent Trademark Office	1,000 & over	9.50%
U.S. Department of Defense	1,000 & over	3.41%	U.S. Department of Defense	1,000 & over	8.10%
City of Alexandria	2,538	2.88%	City of Alexandria	1,000 & over	2.80%
Alexandria Public Schools	2,285	2.59%	Alexandria Public Schools	1,000 & over	2.50%
WMATA	500-999	0.85%	U.S. Department of Agriculture	500-999	0.80%
Northern Virginia Community College	500-999	0.85%	Northern Virginia Community College	500-999	0.60%
U.S. Department of Agriculture	500-999	0.85%	U.S. Attorney's Office	250-499	0.60%
		14.84%			24.90%
LARGEST PRIVATE EMPLOYERS			LARGEST PRIVATE EMPLOYERS		
INVOA Health System	1000 & over	3.41%	INOVA Alexandria Hospital	1,000 & over	1.60%
ABM Janitorial Services M Inc	500-999	0.85%	Institute for Defense Analysis	1,000 & over	1.30%
Institute for Defense Analysis	500-999	0.85%	Alion Science and Technology	500-999	0.80%
Grant Thornton LLP	500-999	0.85%	Center for Naval Analysis	500-999	0.70%
CNA Corporation	250-499	0.43%	Boat Owners Assoc. of the U.S	500-999	0.50%
Oblon Spivak McClelland PC	250-499	0.43%	Crs Facility Services	500-999	0.50%
Catholic Diocese of Arlington	250-499	0.43%	Hilton Hotels	500-999	0.50%
		7.25%			5.90%

SOURCE: Virginia Employment Commission
[1] Employment ranges are given to ensure confidentiality.
[2] Percentages are based on the midpoint of the employment range.

Table 20

CITY OF ALEXANDRIA, VIRGINIA
Real and Personal Property Tax Assessments and Rates
Last Ten Calendar Years

	Real Property ($000)				Personal Property ($000)				
Calendar Year	Residential	Commercial	Total	Tax rate per $100	Motor Vehicle and Tangibles Assessment	Tax rate per $100	Machine and Tools Assessment	Tax rate per $100	Total Assessment
2014	$ 20,314,910	$ 15,020,272	$ 35,335,182	1.043	$ 1,397,502	4.75	$ 11,281	4.50	$ 1,408,783
2013	19,384,653	14,706,140	34,090,793	1.038	1,417,679	4.75	11,506	4.50	1,429,185
2012	18,715,707	15,066,989	33,782,696	0.998	1,343,202	4.75	12,631	4.50	1,355,833
2011	18,430,731	14,201,221	32,631,952	0.998	1,309,164	4.75	10,665	4.50	1,319,829
2010	18,270,905	13,378,585	31,649,490	0.993	1,226,896	4.75	14,336	4.50	1,241,232
2009	19,152,518	14,811,680	33,964,198	0.903	1,170,972	4.75	14,246	4.50	1,185,218
2008	19,255,906	15,123,257	34,379,163	0.845	1,354,932	4.75	17,837	4.50	1,372,769
2007	20,143,403	15,411,555	35,554,958	0.830	1,400,114	4.75	11,485	4.50	1,411,599
2006	20,205,364	14,037,667	34,243,031	0.815	1,394,947	4.75	14,906	4.50	1,409,853
2005	16,272,324	11,087,326	27,359,650	0.915	1,455,520	4.75	15,009	4.50	1,470,529

Note: Property is assessed each year as of January 1. Property is assessed at actual value; therefore assessed values are equal to actual values.
Tax rates are assessed per $100 of assessed value.

Source: City of Alexandria Comprehensive Annual Financial Report

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Members of the Alexandria City School Board
Alexandria, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alexandria City Public Schools (ACPS), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Alexandria Public Schools' basic financial statements, and have issued our report thereon dated November 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Alexandria Public Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of ACPS's internal control.

A *deficiency in internal* control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of finding and responses that we consider to be a significant deficiency: 2015-001.

Members of the Alexandria City School Board
Alexandria City Public Schools

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ACPS's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Alexandria Public Schools' Response to Findings

City of Alexandria Public Schools' response to the findings identified in our audit are described in the accompanying schedule of findings and responses. City of Alexandria Public Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
November 24, 2015

ALEXANDRIA CITY PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2015

2015-001 Improper Recording of Intergovernmental Grant Revenues

Condition:

An error recording intergovernmental grant revenue was identified in our testing. An adjusting entry was recorded to accrue $578,845 in grant revenue in FY2015. The transaction was originally recorded as FY2016 revenue. The entry affected the Governmental Activities and the School Nutrition Fund opinion units. The amount was also omitted from the schedule of expenditures of federal awards (SEFA) and subsequently corrected when identified.

Cause:

ACPS recorded the grant revenue in the wrong fiscal year. The error appears to be a result of a delayed reimbursement request.

Criteria:

ACPS's accounting policy stipulates that State aid is recorded at the time of receipt or earlier, if the "susceptible for accrual" criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met.

Effect:

ACPS accrued grant revenues and related receivables for certain qualifying expenditures in the incorrect fiscal year. The error resulted in a material adjusting entry to record the transaction in the correct fiscal year. Because SEFA expenditure amounts are driven by related revenues recorded, expenditures were also understated on the SEFA.

Recommendation:

We recommend that management review grant reimbursements requests to ensure they are properly recorded. In addition, they should review financial statement amounts to ensure that they appear reasonable in comparison to activity that occurred during the year. This could include an analytical review of revenues recognized compared to meals served within the School Nutrition program for the current and prior years.

Management's Response:

The ACPS Financial Services Department and School Nutrition Services are collaboratively reviewing their monthly and year end reporting procedures to ensure all requests for federal reimbursement are properly recorded and reported in our financial statements and schedule of expenditures of federal awards.

Alexandria City Public Schools

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Alexandria City Public Schools

A Component Unit of the City of Alexandria, Virginia

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